TABLE OF CONTENTS

STATE OF MONTANA
CLASS II UNDERGROUND INJECTION CONTROL
PRIMACY APPLICATION

TABLE OF CONTENTS

Section A: Letter from the Honorable Stan Stephens, Governor of the State of Montana.

Section B: Statement of Legal Authority.

Section C: Program Description.

Section D: Underground Injection Control Rules.

Section E: Statutes pertaining to the Montana Board of Oil and Gas Conservation.

Section F: Proposed amendments to the Rules of the Montana Board of Oil and Gas Conservation. Notice of rulemaking dated August 31, 1992.

Section G: General Rules and Regulations relating to Oil and Gas.

Section H: Memorandum of agreement for program delegation between the Montana Board of Oil and Gas Conservation and the United States Environmental Protection Agency, Region VIII.

Section I: Memorandum of Understanding between the Bureau of Land Management and the Montana Board of Oil and Gas Conservation for the purpose of implementing the underground injection control program for Class II wells under BLM jurisdiction in the State of Montana.

Section J: Montana Board of Oil and Gas Conservation Quality Assurance Project Plan for the underground injection control program.

Section K: Montana Board of Oil and Gas Conservation forms.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
OF THE STATE OF MONTANA

Oil and Gas Conservation Division

Stan Stephens, Governor

MONTANA BOARD OF OIL AND GAS CONSERVATION
CLASS II
UNDERGROUND INJECTION CONTROL
PRIMACY APPLICATION

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October 1992

SECTION A

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

LETTER FROM THE HONORABLE

STAN STEPHENS,

GOVERNOR OF THE STATE OF MONTANA

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STAN STEPHENS
GOVERNOR

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

October 20, 1992

Mr. James J. Sherer
Regional Administrator
U.S. Environmental Protection Agency
Region VIII
999 18th Street, Suite 500
Denver, Colorado 80202

Re: Montana's application for primacy of the Class II underground injection control program under Section 1425 of the Safe Drinking Water Act.

Dear Mr. Sherer:

I am pleased to submit Montana's Class II underground injection control (UIC) program primacy application to the U.S. EPA for consideration. I hereby request the EPA's approval of Montana's program for primacy under Section 1425 of the Safe Drinking Water Act. I also affirm that the State of Montana is willing and able to carry out the program as described in the application.

The Montana Board of Oil and Gas Conservation will hold an open house meeting on the primacy application from 1 to 3 p.m. on Wednesday, December 9, 1992, at the Billings Petroleum Club, Sheraton Hotel, in Billings, Montana. I invite the EPA's participation at the open house meeting.

I have appointed Mr. Warren Ross, Chairman of the Board of Oil and Gas Conservation, to act as Montana's liaison with the EPA on the primacy application. Please contact Mr. Ross through the Board's Billings, Montana office if you have any questions or require further information.

I look forward to the EPA's decision on the primacy application. Please do not hesitate to contact my office if I can be of any help in expediting the process. Thank you for your cooperation.

Sincerely,

STAN STEPHENS
Governor

enclosure: Montana's UIC primacy application

SECTION B

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

STATE OF MONTANA
CLASS II
UNDERGROUND INJECTION CONTROL PROGRAM

STATEMENT OF LEGAL AUTHORITY

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DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

STATE OF MONTANA
CLASS II
UNDERGROUND INJECTION CONTROL PROGRAM

STATEMENT OF LEGAL AUTHORITY

To whom it may concern:

I, Donald A. Garrity, am the retained counsel for the Montana Board of Oil and Gas Conservation. I represent the Board in administrative contested cases and civil lawsuits, and provide legal advice and counsel to the Board. I have reviewed the program description for the Montana Underground Injection Control Program and the rules and statutes of the Montana Board of Oil and Gas Conservation. I certify that these statutes and rules give the Montana Board of Oil and Gas Conservation adequate authority to carry out the Underground Injection Control Program for Class II wells under Section 1425 of the Safe Drinking Water Act.

Donald A. Garrity, Attorney
Montana Board of Oil and Gas Conservation

October 20, 1992
Date

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SECTION C

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

STATE OF MONTANA
CLASS II
UNDERGROUND INJECTION CONTROL PROGRAM

PROGRAM DESCRIPTION

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MONTANA BOARD OF OIL AND GAS CONSERVATION

Application for Primacy in Regulation of Class II Injection Wells Under Section 1425 of the Safe Drinking Water Act

PROGRAM DESCRIPTION

I. INTRODUCTION.

The Montana Board of Oil and Gas Conservation is a quasi-judicial, independent board attached to the Montana Department of Natural Resources and Conservation for administrative purposes. The 1987 Montana Legislature, by amendment to Chapter 11, Title 82 of the Montana Codes Annotated (MCA), specifically authorized and established the Board of Oil and Gas Conservation as the administrative agency of the State exclusively responsible for regulation of Class II injection wells. The Board proposes to establish a new, comprehensive regulatory program for Class II wells and to seek primacy approval under Section 1425 of the Safe Drinking Water Act.

II. PROGRAM DESCRIPTION.

The program description contained herein follows the format provided in the Section 1425 Regulations as published in the Federal Register, May 19, 1981.

A. Structure, Coverage and Scope of the Program.

The program proposed by the Board is intended to apply to all lands in the State lawfully subject to its police power and taxing authority. It is not intended that the Board's program apply to other than Class II injection or disposal wells. The program is, however, intended to apply to lands owned or under the jurisdiction of the United States. Section 82-11-103, MCA, provides as follows in pertinent part:

> This chapter applies to all lands in the state lawfully subject to its taxation and police powers, including all state-owned lands. It applies to lands of the United States or to lands subject to the jurisdiction of the United States only to the extent that control and supervision of conservation of oil and gas by the United States on its lands fails to effect the intent and purposes of this chapter and otherwise applies to

> those lands to such extent as any officer of the United States having jurisdiction or his duly authorized representative approves any of the provisions of this chapter or an order of the board which affects those lands.

Since the Safe Drinking Water Act clearly provides for administration of UIC programs by the states, and requires that the state jurisdiction for a UIC program extend to lands owned by the United States and its agencies, consent of the United States to the application of a state UIC program to federal lands is implied.

By instructional memorandum (MT-88-128, Feb. 12, 1988), the Montana State Director, Bureau of Land Management, advised BLM district offices of certain procedures applicable to disposal/injection wells located on the federal mineral estate. This memorandum recognizes the applicability of primacy state UIC permits, suggests procedures for BLM participation in UIC permitting practices, and suggests alternate procedures in the event a UIC permit is issued over a BLM objection. The Board and the Montana State office of BLM have a Memorandum of Understanding (MOU) in effect since 1984, revised in 1987 and 1992, which specifically addresses well spacing and location requirements and BLM participation in the Board's hearing process.

A second MOU which specifically addresses coordination of UIC activities was entered into by the BLM and the Board on October 28, 1991. A copy of BLM/Board MOU is submitted with the Board's primacy application. The BLM/Board MOU is patterned after the MOU which presently exists between the EPA Region VIII office and the BLM concerning Class II UIC operations in Montana. The BLM/Board UIC MOU will facilitate exchanges of well permit information, coordination of inspections, coordination of plugging and abandonment actions, and procedures for resolving conflicts.

The statutes applicable to the Board define the Board's jurisdiction as including "lands of the United States or to lands subject to the jurisdiction of the United States . . . to such extent as any officer of the United States having jurisdiction or his duly authorized representative approves any provisions of this chapter or an order of the board which affects those lands."

Section 82-11-103, MCA. In 1987, the Montana Legislature, in anticipation of receiving UIC primacy, expanded the statutory powers and duties of the Board to include "exclusive jurisdiction over all class II injection wells and all pits and ponds in relation to those injection wells." Section 82-11-111(5), MCA. The Board is authorized by statute to undertake all actions necessary to regulate Class II injection wells on state owned, privately owned, and federally owned or managed lands within the exterior boundaries of the State of Montana.

The Board proposes to issue permits for all new disposal wells, individual injection wells, and area injection (primarily for enhanced recovery) projects through the public notice and hearing process. Administrative approvals will be available, without objection, only for new wells in previously approved projects. These previously approved projects include any area projects approved by EPA, or projects approved by the Board after notice and hearing. In existing injection projects that have not been approved by EPA or the Board as an area project, the operator must permit each well individually, or apply for approval of the existing project as if it were a new area project. The Board intends that existing rule authorized wells and EPA permitted wells will continue in an authorized status without the need for re-permitting under the Board's program.

Upon issuance of a permit, the Board's administrative and technical staff will be responsible for compliance monitoring under the proposed Rules as well as enforcement of any special permit requirements. The staff will take such administrative action through oral and/or written notices and requests for compliance as routine enforcement activities may warrant. The Board will be kept apprised of any pending enforcement activities or substantial noncompliance incidents and the administrative methods being used to gain compliance. The staff will also advise the Board when administrative efforts to resolve noncompliance incidents have been unsuccessful and recommend to the Board that additional enforcement action, including a show cause hearing and/or a civil penalty

assessment or other enforcement proceeding, be undertaken. Except in an emergency, the Board's enforcement decisions will be made at or as the result of a public meeting or hearing after notice. Emergency orders of the Board may be issued without notice and hearing and may be re-issued at the next regularly scheduled hearing without notice if there is insufficient time for proper notice, but must be noticed for hearing at the next available scheduled hearing date.

B. State Permitting Process.

In general, the Board proposes to use the notice-hearing-order process to permit all new injection projects and disposal wells. An operator may apply to the Board for approval of enhanced recovery or pressure maintenance injection wells either on a well-by-well basis or as a multiple well project. If approval is granted for a multiple well project (area permit), new injection wells which conform to the approved construction methods and operational requirements of the area permit may be approved administratively without further public hearing. Only those area projects approved by the Board after primacy delegation or those projects having a valid EPA issued area permit on the date of primacy delegation will be eligible for administrative permits. Existing injection wells that have been rule authorized by EPA will remain rule authorized, without a re-permitting requirement, under the Board's program. Applications for projects or individual wells must be made by the intended operator of the well or project. A decision-making flowchart for the UIC permit process is submitted with the application for primacy.

The applicant must supply the required information under the proposed UIC rules to the Board at it's Helena office. The application will be docketed for public hearing by the Board's staff. The filing deadline for each hearing will be made available at the time the hearing dates are established by the Board, and will be sufficiently in advance of the hearing date to permit notice by publication to be made by the Board. The applicant will be responsible to provide actual written notice to the appropriate land

and leasehold owners and appropriate Federal, State, and local government agencies on or before the request for hearing is mailed to the Board. The notice period will be at least 30 days. During this 30 day period, the Board's technical staff will review the application for accuracy and completeness and develop any proposed operating limitations, or special permit conditions that will be presented to the Board during the hearing. If the staff believes that the application is deficient or incomplete, it will notify the applicant and request additional information. If defective applications cannot be corrected before or at the hearing, the Board may dismiss the application, continue the matter to the next hearing, or issue a contingent approval order allowing approval of the application upon correction or submission of specific information.

If the application is for an additional well in a Board or EPA approved area project, the applicant is required to give a minimum of 20 days written notice to the appropriate leasehold and surface owners with in the area of review of the well. Without objection, the well may be approved administratively. If objection is received, the matter will be docketed for hearing. The applicant may choose to modify his application to address the objection(s), and if all objections are withdrawn, administrative processing may resume. The specific discussion items of the permitting process required under the 1425 regulations are addressed below.

1. Applications for injection wells, enhanced recovery projects, or associated injection well activities must be made by the "owner" or "operator" thereof. Rule 36.22.302 ARM (Administrative Rules of Montana) defines "owner" and "operator". The owner or operator must provide specific information about the company, and it's officers, on Board Form No. 1 - Organization Report.

2. Rule 36.22.1407 requires that applications must be signed by a principle executive officer, an agent and attorney-in-fact, general partner, or the sole proprietor, as appropriate. This Rule also provides for a delegation of authority to a person or position

in the company if the delegation is in writing and executed by a person who would be an acceptable signatory to the application absent the delegation.

3. Section 82-11-127 MCA specifically requires compliance with permit stipulations or limitations, the statute itself and any lawful orders issued by the Board. The duty to apply for and receive approval by permit or order of the Board prior to operation or construction of any well, including Class II injection wells is stated. Pollution or causing the potential for pollution of state waters is specifically prohibited by this section. The statute imposes the duty to reduce or halt injection activity (or any other activity) which may cause pollution and further imposes a duty to operate and maintain any facility so that the potential for pollution is avoided.

Rule 36.22.1403 stipulates the application contents and requirements for underground injection permits. Permits will be issued after public hearing upon demonstration that the proposed project can be safely and legally undertaken. Administrative approvals are limited to additional wells within previously approved projects, provided that the new well(s) conform to the standards set for other wells in the project. Section 82-11-111, MCA, authorizes the Board to issue, suspend, revoke, modify, or deny any such permits, and to specify the operating conditions and limitations pertaining to the well(s) approved under the permit. This section also provides the authority for the Board and its staff to enter upon any public or private property to inspect for permit violations, well monitoring methods and equipment, and to inspect and copy required records. The required records, a five (5) year record retention time, and periodic reporting requirements are prescribed in Rule 36.22.1415 ARM.

4. Upon issuance of the Board order authorizing a project or permit, the owner or operator must submit a Notice of Intention to Drill or Sundry Notice (for re-completions) to the Board's staff for each well covered by the Board's authorization. Notices must be submitted on Board Form 2 and each proposal will be administratively

reviewed for compliance with the Board Order. Drilling permits are valid for six months. Board orders authorizing projects or individual wells are valid for the life of the project unless the authorization is revoked by the Board after notice and hearing.

The operator must report the commencement of injection within 10 days thereof, and begin monthly reporting of injection volumes and pressures on Form 5. Monthly reports are due at the end of the month following the month reported. Mechanical Integrity Tests will be required for all newly completed or re-completed wells before injection begins. The retesting of injection wells will be required at least each five years. The Board will adopt the EPA established test schedule for those existing wells authorized by EPA to ensure that the five year frequency of integrity tests is maintained.

5. Rule 36.22.1308 describes the procedures for reporting changes in ownership (or operator) for existing wells. R u l e 36.22.605 describes the requirements for transfer of permits to drill before and during drilling. Reports of changes of operator or ownership require approval by the Board's staff and must be endorsed by both transferror and transferee. The new operator must be in compliance with the bonding requirements, organization report filing requirements, and Board rules prior to approval of the transfer, and must accept liability for the proper plugging and restoration of the well(s). All wells to be transferred are inspected prior to the approval of any change of operator request. Transfer of well ownership will not be approved until significant rule violations are cured. Under section 82-11-127(1)(b), MCA, no person may "violate any provision set forth in a permit or stipulation, including but not limited to limitations and conditions contained in it"; therefore, the duty to comply with permit conditions is incumbent upon the new operator.

6. Rule 36.22.1420(1) provides that: "Applications for injection wells approved by the Board, or administrative approvals issued under the Board's authority are valid for the life of the injection well(s) unless revoked by the Board for just cause, after notice and hearing". The operator of the injection well(s) must

provide notice to the Board for the commencement and the discontinuance of injection operations within the time frames required under Rule 36.22.1414. Under the same Rule, notice of intent to plug and abandon an injection well must be given and approval received from the Board.

7. Rule 36.22.1403(2) provides for the issuance of project or area permits. Applications for enhanced recovery projects may be made under the statutory unitization provisions of Sections 82-11-205 through 216 MCA, or for a voluntary project not involving a unit operation. The application procedures and notice requirements of the UIC rules would apply, although compliance with the statutory notice requirements for a unitized project would also be required. The Board may also consider approval of a area injection project for disposal purposes utilizing one or more injection wells.

Area project applications typically include detailed technical information including both geological and engineering characteristics of the injection formation(s) as well as information about the injection wells (number, placement, mechanical and operating conditions and source of injection water). The Board reviews the application for completeness and statutory compliance, the project for technical and economic feasibility, and the equities of the project to ensure protection of the correlative rights of the various interest owners. If the Board is satisfied that the project can be safely and legally undertaken, it may enter an order approving the unit or project.

8. The Board Rules generally do not recognize the need for emergency permits. The usual process of written application and written approval prior to the requested work is preferred. An exception is provided for abandonment of new wells in which casing (excluding surface casing) has not been set. Rule 36.22.1301 allows for an oral approval of plugging procedures for such wells, followed by a written report of the actual work done after the plugging operation is completed. Occasionally the staff may give an oral approval for modification of a previously approved operation in progress where unforseen circumstances require an alteration of the

approved plan, and the requirement for written notice is impractical or unreasonable. A written subsequent report of the actual operations performed is required. Board rules also require the submission of a completion report (Form 4) and copies of any tests, surveys, logs or other reports made or performed as part of a workover/re-completion effort. Any oral approval granted must be for a matter within the administrative authority of the staff to approve, matters which normally would require approval of the Board are not granted without Board action. Section 82-11-141, MCA, does provide for an emergency action of the Board without notice and public hearing. Requests for emergency (un-noticed) hearings are rarely granted in any event and, because of the procedural requirements of the proposed UIC regulations, it is unlikely that this process could be used to grant a class II injection permit.

9. Variances or requests for exception to the program requirements would be considered on a case by case basis by the Board as part of the public hearing process on an permit application or a specific request for exception. Unless the EPA concurrence or approval is needed, as provided in Rule 36.22.1411(3), the request would be considered for approval on the basis of the evidence and testimony provided. Variances or exemptions will generally be limited to administrative requirements or procedures or to the applicability of field orders or permit conditions in those cases where a more restrictive requirement than contained in the General Rules has been imposed. The Board may choose to change permit conditions or limitations where more accurate information becomes available after a well or project has been approved. The primary criteria for approval of a specific request for variance is the non-endangerment of USDW's. It is the Board's policy not to grant an exception that results in a reduction in the effectiveness of the enforcement, data-collection and public review process associated with the program. Some latitude is provided to the Board's staff under the proposed rules, as well as under such conditions as the Board may provide in its orders, to implement the UIC program on a day to day basis. Administrative review and approval/modification

would be available for minor program changes. Such changes may involve plugging procedures, minor changes in well construction requirements, changes or restrictions in volumes/injection pressures dictated by changes in field or well operating conditions, and modifications found necessary as part of inspection and enforcement activities. The Board's staff is authorized to review, modify or reject administrative applications for new wells in previously approved projects, as well as maintenance work or repairs to existing approved injection wells.

C. Operation of Rules Regulating Class II Wells.

The Board adopted Sub-chapter 14 to its Administrative Rules for the purpose of implementing the UIC program in Montana. These new rules will apply to all injection wells permitted in the state after the effective date of UIC primacy. Existing injection wells which have been previously authorized by EPA will not be required to be re-permitted under these rules, however, the operational requirements will be applied to all new and existing wells.

The Board proposes to issue all Class II injection permits, either for a single well or on a project basis, following due notice and, if required, public hearing. The only exception envisioned would be the permitting of additional wells (which meet the requirements for a project well) in a previously approved project. These wells may be approved administratively if there are no objections. Actual notice of a request for administrative approval must be given by the applicant to leasehold and surface owners within the well's area of review. The notice given must indicate that administrative approval is anticipated unless objections are received by the Board's Program Director. A minimum of 20 days is provided for filing objections to the administrative approval (Rule 36.22.1410). Aquifer exemptions which are part of an application for a well or area project will be considered concurrently with the well or project application. The applicant will be required to demonstrate through evidence and testimony that the aquifer meets the criteria for exemption in Rule 36.22.1418.

D. Technical Requirements Applied to Operators.

Oil and gas operators are required to comply with the Board's General Rules and Regulations in the drilling, equipping, and completion of all wells. General requirements are contained in sub-chapter 10 of the Board's rules. The operator is required to supply certain reports, well logs, analysis and well samples; additionally, service company invoices or reports are required to verify the quantity and type(s) of cement and associated materials used during completion and workover operations (36.22.1241). Rule 36.22.1403 requires the submission of further technical information in support of a request for approval of injection wells or projects. The Board is authorized to require modification of the application, including corrective action to any wells in the area of review, or to the injection well itself, to prevent contamination of USDW's.

Mechanical integrity tests are required of all new or converted injection wells before the well is placed in service (Rule 36.22.1416). Board inspector's will witness at least 25 % of all mechanical integrity tests for which the Board receives adequate advance notice. Repair or re-working will be required if the well fails this initial test. Wells will be re-tested at least each five-years. A re-test will be required subsequent to any operation which unseats the packer or results in repair or replacement of the tubing or packer as provide in Rule 36.22.1416(8).

Routine Mechanical Integrity Tests will be scheduled by the Board's inspectors. This will allow a maximum number of tests to be witnessed by the inspectors. Non-routine tests require notification to the Board's staff sufficiently in advance of the test to allow an inspector to witness the test. A subsequent report of the test is required whether or not the test was witnessed and must be certified true and correct, but need not be notarized. A subsequent report form (proposed Form 2 M) will be used to verify test results, and the inspectors daily log will be used to verify those tests that were witnessed.

Verification of cementing and casing information as part of the mechanical integrity demonstration will be implemented by use of the Board's own well files supplemented as needed by additional data

collected from the applicant for an injection well. The Board requires submission of reports and logs under it's existing procedures, and it's files are generally adequate to verify the reported cement volumes. To the extent available, cement bond logs already on file will be used to verify cement tops. If a bond log is not on file or not available upon request from the operator, the cement top will be calculated using standard methods. Cement volumes are reported on Form 4 Completion report, or in the geological report/daily drilling summary available for many wells. The Board requires independent verification of volumes of cement used by requiring copies of cementing invoices to be filed by the various independent service contractors. This requirement has been in effect for many years. The Board has also required written reports of any remedial cementing operations performed after initial well completion.

E. Monitoring, Inspection, and Reporting.

Injection well operators are required to monitor injection well conditions, including pressure and volume data, and report these data on a monthly basis to the Board (Rule 36.22.1415). The Board intends that this information will be entered into an computerized database for ready retrieval and review by the staff; the Board's existing production database may be utilized or a new database established for this information. The Board recently received notification that it would receive grant monies from the Underground Injection Practices Council to establish a UIC risk-based data management program (RBDMP). Compliance with permit conditions/limitations will be quickly monitored utilizing summary reports against this database.

Mechanical integrity test requirements and procedures are outlined in proposed Rule 36.22.1416. Initial review of proposed injection wells will be done utilizing operator supplied information, or the Board's own records of casing and cementing, cement bond logs and any other available technical data. All new wells will be required to pass an initial MIT pressure test. Existing wells will be tested on the schedule established by

previous EPA supervised tests, but no less than once each 5 years. Routine inspection of injection wells (not as part of an MIT test) will be done in the same manner as the Board's routine inspection of other wells. Generally, the Board's goal is to inspect each active well on an annual basis for general housekeeping and maintenance, compliance with the Rules, and to determine if there are any operational problems or unauthorized activities. Clerical staff periodically review all active well files and routinely require operators to submit delinquent reports, logs, and notices as needed. The operators' records are also reviewed in conjunction with the Board's review of any change in operator status. Delinquent records must be submitted in most cases before a change in operator status will be approved.

Injection well abandonments will be handled in the same manner as the abandonment of other wells. The operator must file a written notice of intent to abandon and receive approval prior to any actual abandonment operations. A representative number of plugging operations will be witnessed. A subsequent report of abandonment must be submitted after the operations are completed. These reports must provide sufficient detail for the Board's staff to determine that the plugging program is adequate. All wells are inspected, after abandonment, before the operator's bond is released.

The general policy for plugging wells in Montana includes setting of cement plugs across porous and permeable zones, with not more than 2500 feet between open hole plugs, and a minimum of 25 sacks of cement per open hole plug. If casing is pulled, a plug is placed at the "stub" and open hole plugs set as necessary. A cement plug or a cast iron bridge plug capped with at least two sacks of cement is set to isolate any open perforations. A cement plug is set at least 50 feet in and out of the base (shoe) of the surface casing. A plug consisting of 5 to 10 sacks of cement is placed in the top of the casing. The casing may be cut off below plow depth and a steel plate welded to the casing, or a dry hole marker erected, depending upon the agricultural use of the land and desires of the surface owner.

Under Rule 36.22.1414(3), all plans to plug and abandon an injection well must, "at a minimum, provide for isolation of the injection zone with a cement, or mechanical plug capped with cement, and each USDW isolated or protected in such a manner as to prevent movement of fluids between USDW's. If necessary to comply with Proposed Rule 36.22.1414(3), the operator may be required to use abandonment mud with sufficient density to exert hydrostatic pressure exceeding the greatest formation pressure between cement plugs.

F. Plugging and Abandonment Requirements.

Board Rules 36.22.1301, 1302, 1303, 1304, 1307, 1308, and 1309 govern the requirements for the plugging, abandonment, and surface restoration of wells. These rules require the operator to give prior notice of intent to plug, the proposed plugging plan, and a subsequent report on the actual plugging operations. Under Rule 36.22.1303, the owner must plug a well when it ceases to be used for the purpose for which it was drilled or converted. The owner is also required by Rule 36.22.1307 to restore the surface of the well to its "previous grade and productive capability" unless the landowner requests an alternative plan of restoration.

Rule 36.22.1308 requires that a bond be posted for each Class II injection well to insure that the well is properly plugged and the surface is restored upon abandonment. Rule 36.22.1414(3) also requires that the Board's UIC Program Director be notified in advance of any proposed plans to plug or abandon an injection well. The abandonment plan under Rule 36.22.1414(3) must, at a minimum, provide for the isolation of the injection zone and each USDW to prevent migration of fluids. Wells which have been shut-in or temporarily abandoned injection wells for more than two years must be plugged and abandoned under Rule 36.22.1414(5), ARM.

If an operator fails to plug and abandon an injection well, the Board may take any number of actions including, but not limited to, a suspension of the operator's bond, a forfeiture of the operator's bond, or an assessment of civil penalties. In some cases of failure to properly plug and abandon a well, the Board would schedule a

"show cause" hearing to determine what reasons, if any, the operator has for noncompliance. The Board could undertake to plug and restore the well if there is a threat of USDW contamination and if the operator is unwilling or unable to do the required work.

In 1989, the Montana Legislature established an oil and gas production damage mitigation account (Section 82-11-161, MCA) to pay the reasonable costs of properly plugging a well and to mitigate any damage done by a well if the person or persons responsible for the well cannot be found or do not have sufficient funds to do the work themselves.

G. Enforcement Program.

The statutory changes made by the 1987 Legislature in anticipation of the Board's application for UIC primacy broaden the Board's enforcement authority. The Board is authorized under Section 82-11-149, MCA, to assess civil penalties in any amount between $75 and $10,000 (maximum of $125,000) for non-compliance with a rule or order of the Board. Additionally, willful non-compliance is a misdemeanor, and carries criminal penalties including a fine and/or imprisonment (Section 82-11-147,148, and 149 MCA). The Board may also issue emergency orders, without notice or hearing (but subject to hearing at the next Board meeting), which may be used to order cessation of operations to prevent pollution (Section 82-11-151 MCA).

Because these enforcement tools are so new, the Board has not made significant use of them since passage. To date, no fines have been collected by the Board. The Board has issued emergency orders under the new authority, however, and has successfully used the threat of administrative penalties to gain co-operation from reluctant operators. A fine is usually rescinded if the offending operator demonstrates subsequent compliance. The Board instituted two civil suits in 1991 to recover the costs of remedial actions and fines. Judgments were obtained in these lawsuits, but collection of damages is unlikely.

The Board regularly uses the process of "show cause" hearings to elicit compliance with the Rules. Generally, these proceedings

have been sufficient to deal with deficiencies over time.

The Board may also use a process of notifying the purchaser of production that an operator is in non-compliance and, under Rule 36.22.1245, the production is illegal and may not be transported from the lease. This option has not been used to date.

Typically, non-compliance is dealt with by the Board's staff in a routine manner of notification and request for compliance. The field inspectors utilize a deficiency notice form. This form requires that the operator indicate the corrective action taken, sign and date the form and return it to the Billings office. Responses are then matched with the inspector's notice copy of the form, and provide documentation of actions taken and completed. Incidents of non-compliance are rarely referred to the Board for further action.

The Board does not maintain statistics of compliance/enforcement actions, injection well failure rates, or cases of USDW contamination from injection wells.

H. Staffing and Resources.

The Board of Oil and Gas Conservation is comprised of seven members appointed by the Governor for staggered 4 year terms (Sections 2-15-3303, 2-15-121, and 2-15-124, MCA). Four appointments are made in the January following the gubernatorial election and three appointments are made two years later. There are statutory requirements for the qualifications of members: three board members must be experienced oil and gas industry representatives; one must be an attorney; two must be landowners residing in an oil or gas producing county, one of whom shall own mineral rights and one of whom shall not own mineral rights; and one board member is an "at large" member.

The Board and its staff are assigned to the Department of Natural Resources and Conservation for administrative purposes only; the staff forms the Oil and Gas Conservation Division of the Department. The Board hires and fires all staff.

The Board maintains three offices in the state, the technical and southern district office at Billings, the northern district

office at Shelby, and the administrative office in Helena. The Board has 26 FTE positions available under the current program. The administrator/petroleum geologist, the petroleum engineer, environmental coordinator, statistician and other technical and secretarial support personnel are located in Billings. The chief field inspector and one other inspector reside in Billings, there are two inspectors and a secretary assigned to the Shelby office, and there are two inspectors in eastern Montana (Plentywood and Glendive). The Board's Executive Secretary along with statistical and five clerical support staff are located in the Helena office. The Board's retained attorney resides in Helena.

In support of the UIC program, the Board proposes to employ an additional professional as the UIC program director, two additional field inspectors, and one clerical support person. These four positions have been authorized for the UIC program by state budget process. The Board proposes to use both existing staff and the new staff in support of this program.

The UIC program in Montana will be funded partially by the regular funding sources of the Board, primarily the License and Privilege Tax, currently set at two tenths of one percent of the value of oil and gas produced in the state. The Board is also authorized to levy an annual fee of up to $300 per year per injection well to provide the primary funding for the UIC program (Section 82-11-137, MCA). Estimated annual budget for the UIC program is approximately $280,000. The injection well permit fee is tentatively planned for $200 per well per year, and should generate about two thirds of the annual cost of the program. If available, EPA grant monies will be used to offset a portion of the program costs.

I. Other State Agencies.

The Board of Oil and Gas Conservation is the only state agency authorized to regulate Class II injection wells. No other state agency has current responsibility for the other portions of the UIC program. The U.S. Bureau of Land Management will have concurrent jurisdiction over UIC surface facilities on federal land.

The Board does intend to co-operate with other agencies, both state and local, by providing notice of pending UIC permit requests and soliciting comments or appearance at public hearings. The Water Quality Bureau of the Montana Department of Health and Environmental Sciences regulates water quality issues including degradation of ground water aquifers.

J. Inventory of Class II Wells.

The Board will request the existing EPA inventory of Class II wells, which has been completed for Montana. The Board's staff will work with EPA to obtain this information along with other data in an electronic form for use and update utilizing the Board's computer equipment. The Board also intends to arrange for database design and data entry for the Monthly injection reports to allow easy cross-checking of operator records to the inventory information received from EPA. The Underground Injection Practices Council Foundation, under a grant from the U.S. Department of Energy, has awarded the Board a grant to develop and implement a risk-based data management program (RBDMP) for Montana's Class II UIC program. The RBDMP will include the capability to maintain records for all wells, including Class II UIC wells, in the state of Montana.

K. Aquifer Exemption Process.

Aquifer exemption criteria are discussed in proposed Rule 36.22.1418. The Board intends to accept any aquifer previously exempted by EPA at the onset of the state program, and will exempt any aquifer being utilized in existing injection wells within the one-quarter mile area of review at the onset of the state program. New proposals for injection wells will be approved after notice and hearing. The applicant will be required to demonstrate that one or more of the exemption criteria is met if an aquifer exemption is a necessary part of the application approval.

The Board will consider requests for aquifer exemptions that do not involve a specific project or proposal for areas generally larger than would be considered for a specific project. If the evidence and testimony support the request, and the Board approves, the Board will transmit the request to EPA for approval. It is

understood that such requests would be considered a program change and would be processed by EPA as such. The proposed UIC memorandum of agreement between the Board and the EPA specifies a mechanism through which the EPA would be notified in advance of Board actions to consider aquifer exemptions.

L. Review of Existing Class II Wells.

Because the EPA administered program in Montana is about eight years old, the Board does not anticipate that any substantial number of initial reviews for existing wells will remain to be done at the time the State program is initiated. The Board will use the EPA established test dates to schedule the second round of MIT tests to maintain the required five year test frequency. The Board's inspectors will schedule routine re-tests to meet this schedule, and will notify operators of the anticipated test date(s). This will allow Board staff to witness the maximum number of routine tests. Non-routine MIT tests, such as result from well repair or workovers, will be witnessed to the extent possible. Rule 36.22.1417 requires reports by the operator for all MIT tests, whether or not witnessed, and will serve as self-certification in the event an inspector cannot witness a test.

M. Ensuring Public Participation.

Rules 36.22.1409 and 36.22.1410 discuss the hearing and notice requirements to be implemented for UIC activities. Public hearings will be utilized as the approval process for all UIC projects and individual well proposals, with the exception of additional wells within a previously approved project. These wells may be approved administratively (after notice), as provided in the Rule. The rules provide for actual notice of each pending application to State and local government agencies, EPA, the mineral and surface owners and any offset well operators within the area of review. In addition to actual written notice, the Board will publish notification of pending applications in a general circulation newspaper in the county in which the well(s) is located, a Helena newspaper. The Board maintains a mailing list of persons and companies which have expressed interest in receiving notice of hearings; this mailing

list will also be used for notification purposes.

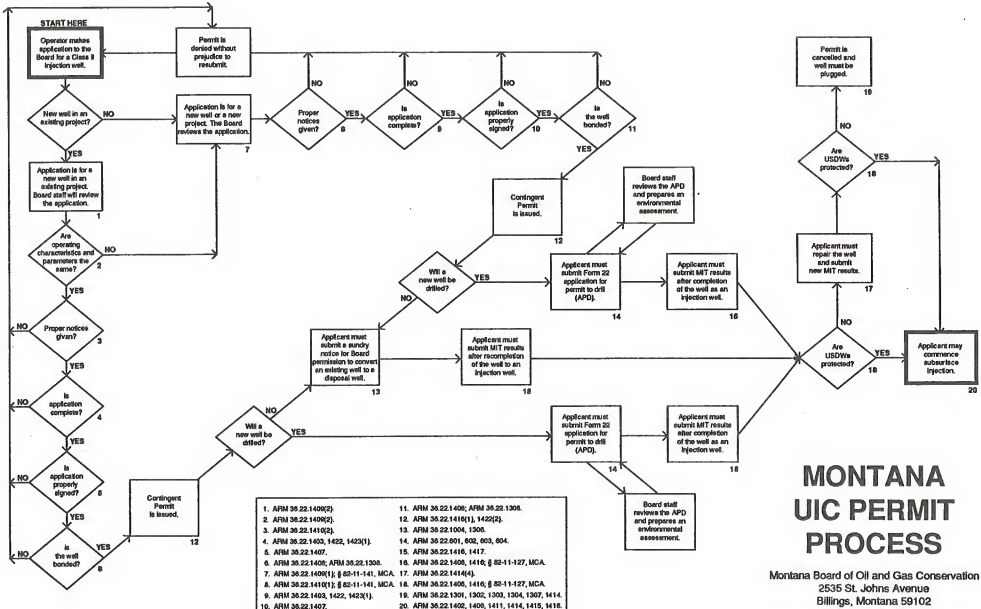
All of the Board's hearings are open, public meetings. The application for hearing is available for inspection prior to the hearing at the Helena and Billings offices; the evidence supplied at the hearing is also available for public inspection at the same offices. An audio tape of the testimony is made for each hearing, and a duplicate of the tape may requested for a nominal charge from the Helena office. The Board encourages public participation in it's hearings, and accepts comments or questions from state and federal agency representatives as well as from others present at the hearing.

N. Procedures for Responding to Public Complaints.

Protests to the issuance of a permit, or any other protests to Board action subject to a hearing are considered at the public hearing. The Board will consider the objector's evidence and testimony along with that of the applicant; the Board may choose to approve the application, approve with modification or deny the requested action. Any interested person adversely affected by an order, rule, or other act of the Board may request a rehearing, or may seek review in district court under section 82-11-144 MCA, which suit shall be tried de novo as an ordinary civil suit.

Complaints about operating conditions or damages or other conditions not involved with a matter pending before the Board, are usually referred to the Board's staff. Commonly, complaints are directed to the Board's field inspectors who are available to meet and discuss problems with landowners, company representatives and other concerned parties. The inspector may issue a notice of deficiency to an operator, or may personally meet with the operator's representative in the field. Minor problems with housekeeping and cleanup or similar problems are usually resolved in this manner. If there are significant problems, or violations of the Rules which cannot be resolved by the inspector, the Administrator or other senior staff member will attempt a resolution with higher level officials of the involved company or operator. If there are significant violations, or an ongoing problem or lack of

co-operation in resolving the problem, the Board will be advised, and a decision made as to further enforcement action or penalties.


START HERE
Operator makes application to the Board for a Class II injection well.
Permit is denied without prejudice to resubmit.
New well in an existing project?
NO
YES
Application is for a new well or a new project. The Board reviews the application.
7
Application is for a new well in an existing project. Board staff will review the application.
1
Proper notices given?
8
Is application complete?
9
Is application properly signed?
10
Is the well bonded?
11
Are operating characteristics and parameters the same?
2
Proper notices given?
3
Is application complete?
4
Is application properly signed?
8
Is the well bonded?
6
Contingent Permit is issued.
12
Will a new well be drilled?
Applicant must submit a sundry notice for Board permission to convert an existing well to a disposal well.
13
Applicant must submit MIT results after recompletion of the well to an injection well.
18
Contingent Permit is issued.
12
Will a new well be drilled?
Applicant must submit Form 22 application for permit to drill (APD).
14
Board staff reviews the APD and prepares an environmental assessment.
Applicant must submit MIT results after completion of the well as an injection well.
18
Are USDWs protected?
18
Applicant must repair the well and submit new MIT results.
17
Permit is cancelled and well must be plugged.
19
Applicant may commence subsurface injection.
20

1. ARM 36.22.1409(2).
2. ARM 36.22.1409(2).
3. ARM 36.22.1410(2).
4. ARM 36.22.1403, 1422, 1423(1).
5. ARM 36.22.1407.
6. ARM 36.22.1405; ARM 36.22.1308.
7. ARM 36.22.1409(1); § 82-11-141, MCA.
8. ARM 36.22.1410(1); § 82-11-141, MCA.
9. ARM 36.22.1403, 1422, 1423(1).
10. ARM 36.22.1407.
11. ARM 36.22.1406; ARM 36.22.1308.
12. ARM 36.22.1416(1), 1422(2).
13. ARM 36.22.1004, 1308.
14. ARM 36.22.601, 602, 603, 604.
15. ARM 36.22.1416, 1417.
16. ARM 36.22.1408, 1416; § 82-11-127, MCA.
17. ARM 36.22.1414(4).
18. ARM 36.22.1406, 1416; § 82-11-127, MCA.
19. ARM 36.22.1301, 1302, 1303, 1304, 1307, 1414.
20. ARM 36.22.1402, 1406, 1411, 1414, 1415, 1416.

UIC - Underground Injection Control ARM - Administrative Rules of Montana MCA - Montana Code Annotated

MONTANA UIC PERMIT PROCESS

Montana Board of Oil and Gas Conservation
2535 St. Johns Avenue
Billings, Montana 59102
Phone (406) 656-0040

SECTION D

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

STATE OF MONTANA
CLASS II
UNDERGROUND INJECTION CONTROL PROGRAM

UNDERGROUND INJECTION CONTROL
RULES

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

Sub-Chapter 14

Underground Injection Control

Note: See the effective date note at the end of each rule in this sub-chapter. For information as to the effective date of the rules in sub-chapter 14, call the Dept. of Natural Resources and Conservation.

36.22.1401 DEFINITIONS For the purposes of this sub-chapter the following are defined:

(1) "Area of review" means the area surrounding an injection well to a fixed radius of one quarter (1/4) mile, or for an area project, the project area plus a circumscribing area the width of which is one quarter (1/4) mile.

(2) "Confining zone" means the geological formation or formations, or the portion of a formation that is capable of limiting fluid movement out of the injection zone.

(3) "Corrective action" means the reworking, repair, re-plugging or other activity taken for the purposes of preventing migration of injected fluids into underground sources of drinking water through any existing wellbore that penetrates the injection zone within the area of review.

(4) "Class II injection well" means a well that:

(a) injects fluids brought to the surface in conjunction with conventional oil and gas production;

(b) is used to inject fluids for the enhanced recovery of oil or gas; or,

(c) is used to inject fluids for storage of hydrocarbons that are liquid under standard conditions of temperature and pressure.

(5) "Class III well" means a well that injects for the extraction of minerals other than oil or gas including:

(a) mining of sulfur;

(b) in situ production of uranium or other metals other than by solution mining of conventional mines;

(c) solution mining of salts or potash.

(6) "EPA" means the United States Environmental Protection Agency.

(7) "Injection well, new" means a class II well that began injecting after the effective date of the UIC program delegation by the EPA.

(8) "Injection well, existing" means an injection well other than a new injection well.

(9) "Injection zone" means the geological formation, group of formations, or portion of a formation that receives the injected fluids through a well.

(10) "Injected fluids" means any material or substance which flows or moves and is emplaced in an injection zone through a class II injection well.

(11) "Mechanical integrity" means that:

(a) there is no significant leak in the casing, tubing, or packer of the injection well; and

(b) there is no significant fluid movement into an underground source of drinking water (USDW) from the injection zone or from a non-USDW geologic stratum or zone of rock overlying the injection zone, or flow between adjacent USDW's through channels adjacent to the injection well bore.

(12) "Program director" means that employee of the Montana board of oil and gas conservation (board) designated by the board as the principal administrator of the Montana underground injection control program delegated by EPA.

(13) "Produced water" means that fluid injected into an injection zone through a class II injection well, and includes liquids recovered from drilling pits, waste water from gas plants which are an integral part of production operations, (unless those waters are classified as hazardous waste by EPA at the time of disposal), and recovered workover fluids.

(14) "UIC" means underground injection control.

(15) "Underground Source of Drinking Water (USDW)" means an aquifer or portion thereof which supplies drinking water for human consumption, or an aquifer which contains fewer than 10,000 mg/l total dissolved solids and is not an exempt aquifer under ARM 36.22.1418. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1402 UNDERGROUND INJECTION (1) No person shall commence a new injection project or construct or operate a new class II injection well, or convert an existing well to injection, whether for the purpose of disposal, or as part of an enhanced recovery project, or for the storage of liquid hydrocarbons, without a permit from the board.

(2) Existing injection wells operating under valid EPA-issued or rule authorized class II injection permits will be governed under the terms and conditions of such permits until permit expiration or plugging, whichever occurs first; provided, however, that no existing injection well may be operated in a manner inconsistent with the laws and rules of the board. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1403 APPLICATION CONTENTS AND REQUIREMENTS (1) The application for water injection or disposal of produced water must be filed with the board showing:

(a) the location of the input well or wells;

(b) the location and mechanical condition, of all oil and gas wells including abandoned and drilling wells, dry holes, and any other wells which penetrate the injection zone within the area of review;

(c) the location of all pipelines which will be used to transport fluids to the input well for storage and injection;

(d) the formations from which wells are producing or have produced, the formations, depth, and estimated water quality of the deepest potential underground sources of drinking water, and the location and depth of any water wells in the area of review;

(e) the name, description, and depth of the injection zone(s) including a water analysis or other water quality information acceptable to the board, estimated formation pressure, and reservoir characteristics of the zone, and the name, lithologic characteristics, depth, and estimated fracture gradient of the confining zone;

(f) the elevation of the top of the oil or gas bearing formation in the input well or wells and in the wells producing from the same formation within the area of review of the project;

(g) the electric log of the input well or wells or other log or lithological information not already on file with the board;

(h) a description of the input well or wells casing and cementing program (all new wells must be cased and cemented so that migration of fluids into or between USDW's is prevented);

(i) a description and analysis of the injected fluids stating the kind, source, and the estimated amount to be injected daily, and the average and maximum anticipated injection pressure;

(j) the names and addresses of the leasehold owners, including unleased mineral owners, and the surface owners within the area of review of the input well(s).

(2) One application may be made for multiple class II injection wells in a geographic area if all wells within that geographic area have substantially the same mechanical and geologic characteristics and are operating in the same field, unit, or lease. Where appropriate, an application for underground injection of fluids on an area basis may include the information required in subsection (1) of this rule for a typical class II injection well in lieu of submitting such information on all class II injection wells in the application provided such class II injection wells have substantially the same characteristics. The area of review for such an area application is the project area plus a circumscribing area the width of which is one quarter (1/4) mile.

(3) If injected fluids will be collected and retained in pits, ponds, or other open receptacles prior to injection, the applicant must submit an application on form 23 for a permit to construct or operate a pit or pond when the application for water injection or disposal is filed with the board. All earthen reservoirs, pits, ponds, and open receptacles must comply with ARM 36.22.1207, 36.22.1226, and 36.22.1227. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1404 and 36.22.1405 Reserved

36.22.1406 CORRECTIVE ACTION (1) It is the obligation of the applicant to demonstrate to the board's satisfaction that the existing wells that penetrate the injection zone within the area of review are in adequate mechanical condition to prevent migration of injected fluid into any USDW. The board will require the applicant to submit a plan for corrective action, including the reworking, repairing or re-plugging of any such well(s) the board considers to be a possible avenue for fluid migration. Injection must not commence until satisfactory completion of the work required in the approved corrective action plan.

(2) The board may require that corrective action be taken if, after notice and hearing, it is shown that USDW's outside the area of review are threatened by an injection well or wells. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1407 SIGNING THE APPLICATION (1) Applications must be signed (for a corporation) by a principal executive officer of at least the level of vice-president, or by an agent and attorney-in-fact; or, (for a sole proprietorship) by the sole proprietor; or, (for a partnership) by a general partner. If the application is submitted on behalf of a federal, state, or other public agency, or by a municipality, signature must be of a principal executive or a ranking elected official. The application may be signed by a duly authorized representative if the authorization is made in writing by one of the above described persons, and if the authorization either names an individual or specifies a position having responsibility for the operation of the project. The written authorization will be submitted to the board, and must be promptly replaced if the authorization no longer accurately describes the responsible position or person. Application for enhanced recovery projects must be signed by all operators who will participate in the proposed project, or by the unit operator if the request is part of a plan for unitized operation under sections 82-11-201, et seq., MCA. Applications for disposal wells must be signed by the well operator. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1408 FINANCIAL RESPONSIBILITY (1) The owner or operator of any injection well must comply with the bonding requirements of ARM 36.22.1308; provided, however, that such bonding requirements must also apply to lands owned or held in

trust by the United States. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1409 HEARINGS (1) New wells or projects. A petition for hearing of the application for underground injection must be filed in triplicate with the board at its Helena office. Upon receipt of the petition, the board will set a hearing date for the application, and cause notice of the hearing to be published as provided in section 82-11-141, MCA. Notice of hearings will be first published at least thirty (30) days in advance of the hearing date.

(2) Wells in existing projects. Administrative approval may be given for an additional well or recompletion of an existing well within a previously approved area or enhanced recovery project, provided that the applicant demonstrates through the application that the well requested has substantially the same characteristics and operating parameters previously approved by the board for injection wells in the project. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1410 NOTICE OF APPLICATION (1) New wells or projects. Notice of application for underground injection permit must be mailed to each current operator, lease owner of non-operated lease, and mineral owner of non-operated and unleased tracts within the area of review, and the surface owner of each well site. A copy of the notice must also be mailed to the Region VIII office of the EPA, the water quality bureau of Montana department of health and environmental sciences, to the Montana department of natural resources and conservation, and to the clerk and recorder of the county in which the project is located. Such notices must be mailed on or before the date the application is mailed to or filed with the board.

(2) New wells in existing projects. Applicants for an additional new well or wells, or for recompletion of an existing well or wells to injection service, within an approved area or enhanced recovery project must mail notice to each current operator, lease owner of non-operated lease, mineral owner of non-operated lease within the area of review, and the surface owner of each new well site, on or before the date the application is mailed to the board.

(3) The applicant must advise each party to which notice is given that the application is eligible for administrative

approval by the program director, unless objections are received within twenty (20) days of receipt of the application by the program director. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1411 BOARD AUTHORIZATION (1) No injection program shall be instituted until the same has been authorized by the board.

(2) The board will make such special orders and rules for the individual case as conditions may justify.

(3) If the board determines, or is notified by EPA, that the approval of an application, or a portion of the application, is beyond the scope of delegated authority, or requires the concurrence of EPA, the board will refer the application to EPA, and final disposition of the application will be deferred until EPA concurrence is received. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1412 and 36.22.1413 Reserved

36.22.1414 NOTICE OF COMMENCEMENT OR DISCONTINUANCE - PLUGGING OF ABANDONED WELLS (1) Within thirty (30) days of the commencement of underground injection operations, the applicant must notify the board of the same and the date of commencement in conjunction with the filing of form 4 for well completions and recompletions.

(2) Within thirty (30) days after the discontinuance of an enhanced recovery or liquid hydrocarbon storage project, the operator of the project must notify the board of the date of such discontinuance and the reasons therefor.

(3) Before any class II well shall be abandoned, written notice must be served on the board, and approval of the abandonment plan received from the program director or other authorized representative of the board. The abandonment plan must, at a minimum provide for isolation of the injection zone with a cement, or mechanical plug capped with cement, and for the isolation and protection of each USDW in such a manner as to prevent movement of fluids between USDW's.

(4) Injection wells which fail a mechanical integrity test (MIT), or which otherwise have lost mechanical integrity, will be immediately removed from service and promptly repaired or plugged for abandonment within 180 days of the failed test or discovery of lost mechanical integrity unless otherwise ordered by the board; provided, however, that the operator of an injection well that has failed the MIT or has lost mechanical integrity may apply to the program director, or other authorized representative of the board, to defer repair or plugging. Any deferment granted will be under such conditions of physical isolation of the injection zone, or monitoring and reporting requirements deemed necessary under the circumstances to protect any USDW's penetrated by the wellbore. Up to a two (2) year deferment may be granted administratively from the date of the failed test, but will not be extended without consent of the board. The board may order further deferment for up to two (2) years, after notice and hearing, upon a showing that all USDW's are protected.

(5) Injection well operators will report the status of each unplugged injection well in its monthly injection reports on form 5. The operator will notify the board of any well which the operator expects to be shut-in or temporarily abandoned for a period of six (6) months or more. Any injection well which has been shut-in or temporarily abandoned for a period in excess of two (2) years must be properly plugged and abandoned. An operator may apply for a plugging deferment as provided in paragraph (4) above upon a showing of reasonable cause and demonstration of non-endangerment to USDW's. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to

until the well is plugged.

(2) A mechanical integrity test that demonstrates that there are no significant leaks in the tubing, casing, or packer will include:

(a) a pressure test of the tubing-casing annulus using liquid or gas, or

(b) monitoring of the casing-tubing annulus following a valid initial pressure test, or

(c) a radioactive tracer survey, timed run method, or

(d) any other test or combination of tests considered effective by the board, and approved by the director, office of drinking water, U.S. EPA.

(3) A mechanical integrity test also will include a demonstration that there is no significant movement of injected fluid in vertical channels adjacent to the well bore. Such demonstration must include a cement bond log (with a variable density curve, travel time curve, amplitude curve, and gamma ray curve) and may include the following:

(a) cementing records which demonstrate the presence of cement adequate to prevent fluid migrations adjacent to the well bore:

(b) radioactive tracer surveys:

(c) noise logs:

(d) temperature surveys: or,

(e) any other test or combination of tests considered effective by the board and approved by EPA.

(4) After the effective date of these regulations, all existing injection wells which have not had an initial mechanical integrity test will be tested for mechanical integrity as directed by the board.

(5) Injection wells will be retested for mechanical integrity no less than once each five (5) years from the date last tested. Wells last tested under supervision of EPA will be retested under supervision of the board no less than five (5) years from the EPA test date.

(6) A pressure test of the casing tubing annulus as provided in (2)(a) must be performed at a minimum surface pressure of 300 pounds per square inch (psi) or 100 psi above the actual injection pressure at the time tested, whichever is greater; provided, however, that the maximum test pressure will not be required to exceed 800 psi surface pressure. The test will be considered successful if the applied pressure can be held for fifteen (15) minutes with no more than a five (5) percent pressure loss.

(7) Wells which fail the mechanical integrity test must be immediately shut-in until either repaired, reworked, or plugged for abandonment in accordance with ARM 36.22.1414. Such wells must be successfully retested for mechanical integrity before being placed in injection service.

the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1415 RECORDS REQUIRED (1) The owner or operator of any class II injection well or wells must keep and retain for at least five (5) years, an accurate record of:

(a) the cumulative amount of fluid injected into such well or wells;

(b) the wellhead pressure or pressures, and the injection rate at the time the pressure is recorded;

(c) the total amount of water produced, and the total amount of oil and gas produced from an enhanced recovery project;

(d) the pressure in the casing - tubing annulus if monitoring of such pressure is required as part of a mechanical integrity test;

(e) the results of any chemical or physical analyses performed on injection zone fluids and injected fluids.

(2) The information required in subsections (1)(a) through (d) of this rule must be observed at least weekly and a representative observation recorded at least monthly and filed with the board on board form 5.

(3) The owner or operator of any class II injection well permitted after the effective date of this rule must conduct a chemical analysis of the typical injected fluids during the 12th month of injection. Samples of typical injected fluids must be taken at the injection wellhead, or, where more than one well is receiving fluid from a common facility, the sample may be taken from the discharge line of such facility. The chemical analysis of the typical injected fluids must include tests for total dissolved solids (TDS), specific conductivity, pH, and percent oil and grease. The results of such analysis must be submitted in writing to the board within forty-five (45) days after the sample is taken. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1416 MECHANICAL INTEGRITY (1) From and after the effective date of these regulations, all new wells drilled for, and all existing wells converted to, water injection or disposal must demonstrate mechanical integrity before being placed into service. A mechanical integrity test must be designed to determine whether there is a significant leak in the tubing, casing, or packer of the well, and whether there is a significant movement of injected fluid into any USDW or between any USDW's through vertical channels adjacent to the wellbore. The owner or operator of an injection well regulated under this chapter must maintain the mechanical integrity of such well

(8) Subsequent to any mechanical integrity test, a well operation which causes the injection packer to be unseated or in which the tubing or packer was pulled, repaired or replaced will require that the well be retested for mechanical integrity before being placed in service. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1417 NOTIFICATION OF TESTS - REPORTING RESULTS (1) To the extent practicable, the board's field representative will schedule routine mechanical integrity tests required under ARM 36.22.1416. The owner or operator of a class II injection well must give the board at least forty-eight (48) hour advance written, telephone, or facsimile notice of any mechanical integrity test not originally scheduled by a board representative. Notification of tests not included in the board's routine test schedule must specify the name and telephone number of the person responsible for scheduling the test, the name and address of the owner or operator of the injection well, the name and location of the well, and the time and date the mechanical integrity test will be performed.

(2) The owner or operator must provide a subsequent report of any mechanical integrity test (MIT) on board form 2 regardless of whether or not the MIT is witnessed by a board representative. Subsequent reports are due within fifteen (15) days of the test unless remedial repairs are required, in which case a subsequent report is due within fifteen (15) days of completion of the remedial work.

(3) Subsequent reports will include the date of the test or the date on which work began, the manner or method of testing, the results of the test and any remedial work done or required to be performed to demonstrate mechanical integrity. The name, address, and telephone number of the company representative, consultant, or contractor that performed the test also must be provided.

(4) Two (2) copies of any well logs, surveys, fluid analyses or any other reports of a technical nature run or made during the test or as part of any reworking or repair efforts must be submitted with the subsequent report. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1418 EXEMPT AQUIFERS (1) The board may authorize the exemption of an aquifer from classification as an underground source of drinking water provided the aquifer:

(a) does not currently serve as a source of drinking water; and,

(b) cannot now and will not in the future serve as a source of drinking water because:

(i) the aquifer produces, or is capable of producing, mineral, hydrocarbon, or geothermal energy in commercial quantities, or;

(ii) The aquifer is situated at a depth or location which makes recovery of the water for drinking water purposes economically or technologically impractical, or;

(iii) The aquifer is so contaminated that it would be economically or technologically impractical to render the water fit for human consumption, or;

(iv) The aquifer is located above a class III well mining area subject to subsidence or catastrophic collapse; and,

(c) the total dissolved solids content of the groundwater is more than 3,000 and less than 10,000 milligrams per liter and the aquifer is not reasonably expected to supply a public water system.

(2) Exempt aquifers will include:

(a) any aquifer exempted by EPA prior to the effective date of these regulations;

(b) any aquifer exempted by the board as a part of a public hearing on an application for an enhanced recovery or area injection permit or other class II well;

(c) any aquifer proposed by the board for exemption as part of the UIC primacy delegation or subsequently proposed after notice and hearing, provided such exemption is approved by EPA. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1419 TUBINGLESS COMPLETIONS (1) After the effective date of these regulations, tubingless completions or annular injection wells, or wells not equipped to inject through tubing below a packer or other suitable sealing device in the annulus will not be permitted.

(2) Exceptions to this requirement will be granted for existing wells in a board approved enhanced recovery or pressure maintenance project where the applicant can demonstrate that it is practically or economically not feasible to equip such wells with tubing and packer.

(3) Mechanical integrity testing and monitoring requirements will be required more frequently and be more stringent for wells permitted as an exception to this rule. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992

MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1420 and 36.22.1421 Reserved

36.22.1422 PERMIT CONDITIONS (1) Applications for injection wells approved by the board, or administrative approvals issued under the board's authority, are valid for the life of the injection well(s) unless revoked by the board for good cause, after notice and hearing.

(2) If administrative approval is requested, the board, or its authorized representative, may approve, modify, or reject any application submitted, stipulate the operating conditions, determine the appropriate test methods and test frequency, or limit the injection pressure and/or the quantity and quality of the fluids injected.

(3) Any operator or owner of an injection well may request an administrative review by the board, at its next regularly scheduled business meeting, of any modification, stipulation, or restriction placed on a permit by the board's staff. The injection well must be operated in compliance with the original permit conditions until the board's administrative review is complete. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

36.22.1423 INJECTION FEE - WELL CLASSIFICATION (1) The board will collect an annual injection fee of $200.00 for each injection well existing upon the effective date of these regulations, and for each injection well permitted thereafter.

(2) Wells will be classified as injection wells, under these regulations, if: the well is actively used for injection; has been completed for injection service but is idle or shut-in; has been reported to EPA as an injection well; or has been permitted by the board as an injection well, whether or not actually placed into injection service. A well will no longer be classified as an injection well when: it has been permanently plugged in accordance with the board's rules; it has been re-completed or converted to other approved uses, but not simply idled or shut-in; the injection or disposal zone has been effectively isolated in a manner approved by the board; or the work proposed under an approved permit was not done or could not be accomplished. (History: Sec. 82-11-111, MCA; IMP: Sec. 82-11-111, 82-11-121, 82-11-123, 82-11-124, 82-11-127, and 82-11-137, MCA; NEW, 1992 MAR p. 2171, Eff. the day after primacy of the UIC program is delegated to the State of Montana by the U.S. Environmental Protection Agency.)

Sub-Chapter 15 Reserved

NEXT PAGE IS 36-545

SECTION E

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

MONTANA CODE ANNOTATED (MCA)

STATUTES PERTAINING TO THE MONTANA BOARD OF OIL AND GAS CONSERVATION

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

2-15-3303. Board of oil and gas conservation — composition — allocation — quasi-judicial. (1) There is a board of oil and gas conservation.

(2) The board consists of seven members, three of whom shall be from the oil and gas industry and have had at least 3 years' experience in the production of oil and gas and two of whom shall be landowners residing in oil or gas producing counties of the state but not actively associated with the oil and gas industry, but one of the two landowners shall be one who owns the mineral rights with the surface and the other shall be one who does not own the mineral rights.

(3) The board is allocated to the department for administrative purposes only as prescribed in 2-15-121. However, the board may hire its own personnel, and 2-15-121(2)(d) does not apply. The board may also prescribe the duties and annual salary of four professional staff positions.

(4) The board is designated as a quasi-judicial board for purposes of 2-15-124.

History: En. 82A-1508 by Sec. 1, Ch. 272, L. 1971; amd. Sec. 116, Ch. 253, L. 1974; R.C.M. 1947, 82A-1508; amd. Sec. 1, Ch. 412, L. 1979; amd. Sec. 1, Ch. 679, L. 1979.

Cross-References

Oil and gas conservation, Title 82, ch. 11.

2-15-121. Allocation for administrative purposes only. (1) An agency allocated to a department for administrative purposes only in this chapter shall:

(a) exercise its quasi-judicial, quasi-legislative, licensing, and policymaking functions independently of the department and without approval or control of the department;

(b) submit its budgetary requests through the department;

(c) submit reports required of it by law or by the governor through the department.

(2) The department to which an agency is allocated for administrative purposes only in this title shall:

(a) direct and supervise the budgeting, record keeping, reporting, and related administrative and clerical functions of the agency;

(b) include the agency's budgetary requests in the departmental budget;

(c) collect all revenues for the agency and deposit them in the proper fund or account. Except as provided in 37-1-101, the department may not use or divert the revenues from the fund or account for purposes other than provided by law.

(d) provide staff for the agency. Unless otherwise indicated in this chapter, the agency may not hire its own personnel.

(e) print and disseminate for the agency any required notices, rules, or orders adopted, amended, or repealed by the agency.

(3) The department head of a department to which any agency is allocated for administrative purposes only in this chapter shall:

(a) represent the agency in communications with the governor;

(b) allocate office space to the agency as necessary, subject to the approval of the department of administration.

History: En. 82A-108 by Sec. 1, Ch. 272, L. 1971; amd. Sec. 8, Ch. 358, L. 1973; R.C.M. 1947, 82A-108.

Cross-References

Department of Administration to allot office space in Helena, 2-17-101.

2-15-124. Quasi-judicial boards. If an agency is designated by law as a quasi-judicial board for the purposes of this section, the following requirements apply:

(1) The number of and qualifications of its members are as prescribed by law. In addition to those qualifications, unless otherwise provided by law, at least one member shall be an attorney licensed to practice law in this state.

(2) The governor shall appoint the members. A majority of the members shall be appointed to serve for terms concurrent with the gubernatorial term and until their successors are appointed. The remaining members shall be appointed to serve for terms ending on the first day of the third January of the succeeding gubernatorial term and until their successors are appointed. It is the intent of this subsection that the governor appoint a majority of the members of each quasi-judicial board at the beginning of his term and the remaining members in the middle of his term. As used in this subsection, "majority" means the next whole number greater than half.

(3) The appointment of each member is subject to the confirmation of the senate then meeting in regular session or next meeting in regular session following the appointment. A member so appointed has all the powers of the office upon assuming that office and is a de jure officer, notwithstanding the fact that the senate has not yet confirmed the appointment. If the senate does not confirm the appointment of a member, the governor shall appoint a new member to serve for the remainder of the term.

(4) A vacancy shall be filled in the same manner as regular appointments, and the member appointed to fill a vacancy shall serve for the unexpired term to which he is appointed.

(5) The governor shall designate the chairman. The chairman may make and second motions and vote.

(6) Members may be removed by the governor only for cause.

(7) Unless otherwise provided by law, each member is entitled to be paid $50 for each day in which he is actually and necessarily engaged in the performance of board duties, and he is also entitled to be reimbursed for travel expenses, as provided for in 2-18-501 through 2-18-503, incurred while in the performance of board duties. Members who are full-time salaried officers or employees of this state or of a political subdivision of this state are not entitled to be compensated for their service as members except when they perform their board duties outside their regular working hours or during time charged against their annual leave, but such members are entitled to be reimbursed for travel expenses as provided for in 2-18-501 through 2-18-503. Ex officio board members may not receive compensation but shall receive travel expenses.

(8) A majority of the membership constitutes a quorum to do business. A favorable vote of at least a majority of all members of a board is required to adopt any resolution, motion, or other decision, unless otherwise provided by law.

History: En. 82A-112 by Sec. 1, Ch. 272, L. 1971; amd. Sec. 12, Ch. 358, L. 1973; amd. Sec. 57, Ch. 439, L. 1975; amd. Sec. 1, Ch. 186, L. 1977; R.C.M. 1947, 82A-112(1), (2)(a), (3) thru (8); amd. Sec. 1, Ch. 83, L. 1983; amd. Sec. 1, Ch. 672, L. 1983; amd. Sec. 1, Ch. 650, L. 1985.

Cross-References

Professions and Occupations, Title 37.

CHAPTER 10

OIL AND GAS — GENERAL PROVISIONS

Part 1 — Royalty Interests

82-10-101. Action for accounting for royalty.
82-10-102. Remedy not exclusive.
82-10-103. Obligation to pay royalties as essence of contract — interest.
82-10-104. Payment of royalties — form of record required.

Part 2 — Lease of Local Government Land

82-10-201. Authorization for lease and terms — land not subject to leasing.
82-10-202. Acreage pooling.
82-10-203. Interference with normal use of land prohibited.
82-10-204. Lease of acquired oil and gas interests.

Part 3 — Underground Gas Storage Reservoirs

82-10-301. Definitions.
82-10-302. Policy.
82-10-303. Use of eminent domain to acquire underground reservoirs.
82-10-304. Certificate of board required prior to use of eminent domain.
82-10-305. Proceedings.

Part 4 — Abandoned Oil and Gas Wells—Reclamation

82-10-401. Notice required before abandonment of well — owner's option.
82-10-402. Inventory of abandoned wells and seismic operations — reclamation procedures.

Part 5 — Surface Owner Damage and Disruption Compensation

82-10-501. Purpose — legislative findings.
82-10-502. Definitions.
82-10-503. Notice of drilling operations.
82-10-504. Surface damage and disruption payments — penalty for late payment.
82-10-505. Liability for damages to property.
82-10-506. Notification of injury.
82-10-507. Agreement — offer of settlement.
82-10-508. Rejection — legal action.
82-10-509 and 82-10-510 reserved.
82-10-511. Remedies cumulative.

Chapter Cross-References

Powers of cities and towns to acquire natural gas and distributing systems, 7-13-4102.

Net proceeds tax — mines or wells producing natural gas or petroleum, Title 15, ch. 23, part 6.

Depletion allowance, state tax, 15-31-114.

Oil and gas severance tax, Title 15, ch. 36.

Deposit of oil and gas royalties from federal government in highway account, 17-3-201.

Mining and oil companies — fraudulent handling of finances, Title 30, ch. 14, part 7.

Real estate license law not to apply to persons performing any act with respect to prospecting, mining, or drilling, 37-51-103.

Regulation of pipeline carriers of oil, Title 69, ch. 13.

Eminent domain — appropriation of underground natural gas reservoir, effect on landowner's right to drill, 70-30-105.

Laborers' and materialmen's liens on oil and gas wells and pipelines, Title 71, ch. 3, part 10.

Montana Major Facility Siting Act, Title 75, ch. 20.

State lands — oil and gas, Title 77, ch. 3, part 4.

Underground storage of natural gas, Title 77, ch. 3, part 5.

Cancellation and forfeiture of oil and gas leases, Title 82, ch. 1, part 2.

Trusts for unlocatable mineral owners, Title 82, ch. 1, part 3.

Royalty Interests

82-10-101. Action for accounting for royalty. (1) Whenever an owner of a royalty interest in or attaching to lands producing natural gas, oil, or other minerals or in or to the natural gas, oil, or other mineral production from said lands, whether said royalty is payable in kind out of the product of the lands or out of the money proceeds from the sale of the product of said lands, shall make a written demand upon the person or persons obligated to deliver or pay such royalty for an accounting of the natural gas, oil, or other minerals produced from said lands and makes written demand for delivery or payment of such owner's royalty as may then be due and the person or persons obligated for the delivery or payment of said royalty fail to make the accounting demanded and the payment or delivery of the royalty due within a period of 60 days following the date upon which said demand is made, then the owner of said royalty may file an action in the district court of the county wherein said lands are located to compel the accounting demanded and to recover the payment or delivery of the royalty due against the person or persons obligated as aforesaid.

(2) In said action the successful party or parties recovering judgment against the person or persons obligated shall, in addition to relief by way of accounting and recovery of the royalty due as hereinabove provided, also recover judgment for a sum of money by way of reasonable attorney's fees to be allowed by the court together with the costs allowed to successful parties by law in actions generally in said court.

(3) Whenever the same person or persons is or are obligated for delivery or payment of said royalty to separate owners of royalty in or to a tract of land or any portion of said land or the product of the whole or any part of said land, then any number of said owners of royalty may join their separate causes of action as parties plaintiff in the action herein provided for, and in their complaint filed in said action, each cause of action of each of the several plaintiffs shall be set forth separately in said complaint, and the judgment given, made, and rendered upon said complaint shall adjudge the relief to one or more of the plaintiffs and deny relief to any one or more of said plaintiffs accordingly as the evidence may establish.

(4) If the defendant or defendants prevail in said action against any one or more of said plaintiffs, the court shall adjudge and allow to such defendant or defendants and against the unsuccessful plaintiff or plaintiffs recovery of a sum of money as reasonable attorney's fees to be allowed by the court and adjudge and allow costs to said defendant to be recovered from the said unsuccessful plaintiff or plaintiffs in said action, as provided for by law in actions generally in said court.

History: En. Sec. 1, Ch. 78, L. 1943; R.C.M. 1947, 60-501.

Cross-References

Allowable costs, Title 25, ch. 10, part 2.

Joinder of claims, Rule 18, M.R.Civ.P. (see Title 25, ch. 20).

Joinder of parties, Rules 19 and 20, M.R.Civ.P. (see Title 25, ch. 20).

82-10-102. Remedy not exclusive. The remedy provided for in 82-10-101 is in the nature of a special remedy additional to and not a substitute for other remedies given by law to owners of royalties in lands of the character specified, and all acts or parts of acts in conflict with the provisions of 82-10-101 shall not apply in actions authorized and provided for by that section.

History: En. Sec. 2, Ch. 78, L. 1943; R.C.M. 1947, 60-502; amd. Sec. 2, Ch. 500, L. 1983; amd. Sec. 3, Ch. 582, L. 1983.

82-10-103. Obligation to pay royalties as essence of contract — interest. (1) The obligation arising under an oil and gas lease to pay oil or gas royalties to the royalty owner or his assignee, to deliver oil or gas to a purchaser to the credit of such royalty owner or his assignee, or to pay a portion of the proceeds of the sale of such oil or gas to the royalty owner or his assignee is of the essence in the lease contract.

(2) If the operator under an oil and gas lease fails to pay oil or gas royalties to the royalty owner or his assignee within 120 days after the initial oil or gas produced under the lease is marketed and within 60 days for all oil and 90 days for all gas produced and marketed thereafter, the unpaid royalties will bear interest, at the maximum rate of interest authorized under 31-1-107 from the date due until paid. The operator may remit semiannually to a person entitled to royalties the aggregate of 6 months' royalties whenever the aggregate amount is less than $50 and annually whenever the aggregate amount is less than $10.

(3) A royalty owner seeking a remedy for failure to make payments under the lease or seeking such payments under this section shall bring his action in the district court for the county in which the oil or gas well is located, and that court has jurisdiction over any such actions brought under this section. The prevailing party in any proceeding brought under this section is entitled to recover his court costs and reasonable attorney fees.

(4) This section does not apply if a royalty owner or his assignee has elected to take his proportionate share of production in kind or whenever there is a dispute as to the title of the minerals or entitlement to royalties, the outcome of which would affect distribution of royalty payments.

History: En. Sec. 1, Ch. 500, L. 1983; amd. Sec. 1, Ch. 118, L. 1985.

Cross-References

Allowable costs, Title 25, ch. 10, part 2.

82-10-104. Payment of royalties — form of record required. (1) An oil and gas producer paying royalties by check, draft, or order shall include with every such payment a form showing the following matters relating to that payment:

(a) the name of the royalty owner to whom the payment is made;

(b) the date of the check, draft, or order;

(c) any royalty owner identification number used by the producer for such royalty owner;

(d) the month and year during which production occurred for which payment is being made;

(e) any number used to identify the lease under which production occurred;

(f) the type of product produced;

(g) barrels of oil and/or cubic feet of gas for which payment is made;

(h) the amount and type of all taxes withheld;

(i) the net value of production; and

(j) the royalty owner's net value.

(2) Any person purposely and knowingly violating the provisions of subsection (1) is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than $1,000.

History: En. Sec. 1, Ch. 582, L. 1983.

Cross-References

Actions arising from the seizure or sale of property for taxes, 27-2-210.

Part 2

Lease of Local Government Land

Part Cross-References
Actions arising from the seizure or sale of property for taxes, 27-2-210.
Lease of state land, Title 77, ch. 3, part 4.

82-10-201. Authorization for lease and terms — land not subject to leasing. The governing body of any county, city, town, school district, or incorporated political subdivision within the state of Montana may, if in the best interests of the county, city, town, school district, or incorporated political subdivision, lease any real property owned by the county, city, town, school district, or incorporated political subdivision for oil and gas development purposes. Such leases shall be made upon the best terms obtainable, shall provide for such terms, except as hereinafter provided, as the governing body shall consider to be for the best interests of the county, city, town, school district, or incorporated political subdivision, shall reserve a royalty of not less than 12 ½% which shall include any royalty payable to any person other than the lessor, and shall be for a period not exceeding 10 years and so long thereafter as oil, gas, or other hydrocarbons shall be produced from the premises embraced in the lease. However, nothing contained herein shall authorize the leasing of lands acquired by a county by tax deed except under the provisions of Title 7, chapter 8, part 25.

History: En. Sec. 1, Ch. 131, L. 1953; R.C.M. 1947, 60-701; amd. Sec. 6, Ch. 201, L. 1979.

Cross-References
Reservation of mineral royalty by county, 7-8-2305.
Management of county lands, Title 7, ch. 8, part 25.
"School district" to include community college district, 20-15-403.
Actions arising from the seizure or sale of property for taxes, 27-2-210.
Oil and gas leases authorized on state lands, 77-3-401.

82-10-202. Acreage pooling. When deemed in the best interests of the county, city, town, school district, or incorporated political subdivision, the governing body may enter into agreements for the pooling of acreage with others for unit operations for the production of oil or gas or both and for the apportionment of oil or gas royalties or both on an acreage or other equitable basis and may modify existing leases and leases hereafter entered into with respect to delay rentals, delay drilling penalties, and royalties in accordance with such pooling agreements and such unit plans of operation; provided, however, that such agreements shall not change the percentages of royalties to be paid to the county, city, town, school district, or incorporated political subdivision from the percentages as fixed in its leases.

History: En. Sec. 2, Ch. 131, L. 1953; R.C.M. 1947, 60-702.

Cross-References
"School district" to include community college district, 20-15-403.
Pooling of interest within spacing unit, 82-11-202.

82-10-203. Interference with normal use of land prohibited. In the event such real property is held or used for a specific purpose, any lease made under the provisions of this part shall contain such protective provisions as may be necessary to prevent any interference by the lessee with the normal use of such real property for such purpose by the county, city, town, school district, or incorporated political subdivision.

History: En. Sec. 3, Ch. 131, L. 1953; R.C.M. 1947, 60-703.

Cross-References
"School district" to include community college district, 20-15-403.

82-10-204. Lease of acquired oil and gas interests. When in any deed or contract for sale a county has reserved or excepted an interest in oil and gas in and under any land acquired by tax deed, the board of county commissioners may lease such interest for oil and gas development purposes upon the same terms and conditions as are provided for the leasing of lands which have been acquired by tax deed, offered for sale and not sold or may ratify, confirm, and adopt any then-existing mineral or oil and gas lease insofar as it describes such land. All such leases, ratifications, confirmations, and adoptions heretofore executed by the board of county commissioners are declared to be valid and are ratified, approved, and confirmed.

History: En. Sec. 1, Ch. 155, L. 1957; R.C.M. 1947, 60-704.

Cross-References
Reservation of royalty in tax deed lands, 7-8-2305.
Alternative management of county lands, 7-8-2502.
Actions arising from the seizure or sale of property for taxes, 27-2-210.

Part 3

Underground Gas Storage Reservoirs

Part Cross-References
Underground natural gas reservoir — appropriation by eminent domain, 70-30-104, 70-30-203.
Underground natural gas reservoir — preliminary condemnation order, 70-30-206.
Underground storage of natural gas on state land, Title 77, ch. 3, part 5.

82-10-301. Definitions. Unless the context requires otherwise, in this part the following definitions apply:

(1) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

(2) "Native gas" means gas which has not been previously withdrawn from the earth.

(3) "Natural gas" means gas either while in its original state or after the same has been processed by removal therefrom of component parts not essential to its use for light and fuel.

(4) "Natural gas public utility" means any person, firm, or corporation authorized to do business in this state and engaged in the business of transporting or distributing natural gas by means of pipelines into, within, or through this state for ultimate public use.

(5) "Underground reservoir" means any subsurface sand, stratum, or formation of the earth suitable for the injection and storage of natural gas therein and the withdrawal of natural gas therefrom.

(6) "Underground storage" means the process of injecting and storing of natural gas within and withdrawing of natural gas from an underground reservoir.

CHAPTER 11

OIL AND GAS CONSERVATION

Part 1 — Regulation by Board of Oil and Gas Conservation

82-11-101. Definitions.
82-11-102. Oil or gas wells not public utilities.
82-11-103. Lands subject to law.
82-11-104. Construction — no conflict with board of land commissioners' authority.
82-11-105 through 82-11-110 reserved.
82-11-111. Powers and duties of board.
82-11-112. Intergovernmental cooperation.
82-11-113. Role of board in implementation of national gas policy.
82-11-114. Appointment of examiners.
82-11-115. Procedure to make determinations.
82-11-116. Public access.
82-11-117. Confidentiality of records.
82-11-118 through 82-11-120 reserved.
82-11-121. Oil and gas waste prohibited.
82-11-122. Notice of intention to drill or conduct seismic operations — notice to surface owner.
82-11-123. Requirements for oil and gas operations.
82-11-124. Requirements relating to waste prevention.
82-11-125. Availability of cores or chips, cuttings, and bottom-hole temperatures to board.
82-11-126. Availability of facilities to bureau of mines.
82-11-127. Prohibited activity.
82-11-128 through 82-11-130 reserved.
82-11-131. Privilege and license tax.
82-11-132. Statements to treasurer and payment of tax.
82-11-133. Penalty for late payment.
82-11-134. Permit fees.
82-11-135. Money earmarked for board expenses.
82-11-136. Expenditure of funds from bonds for plugging wells.
82-11-137. Class II injection well operating fee.
82-11-138 through 82-11-140 reserved.
82-11-141. Administrative procedure.
82-11-142. Subpoena power — civil actions.
82-11-143. Rehearing.
82-11-144. Court review.
82-11-145. Injunction or restraining order.
82-11-146. Appeal.
82-11-147. Violations.
82-11-148. Criminal penalties.
82-11-149. Civil penalties.
82-11-150. Legal assistance.
82-11-151. Emergencies — notice and hearing.
82-11-152 through 82-11-160 reserved.
82-11-161. Oil and gas production damage mitigation account — statutory appropriation.
82-11-162. Release of producing oil or gas well from drilling bond — fee.
82-11-163. Landowner's bond on noncommercial well.
82-11-164. Lien created.

Part 2 — Unit Operations

82-11-201. Establishment of well spacing units.
82-11-202. Pooling of interest within spacing unit.
82-11-203. Pooling agreements not in violation of antitrust laws.
82-11-204. Hearing on operation of pool as unit.
82-11-205. Board order for unit operation — criteria.
82-11-206. Terms and conditions of plan for unit operations.
82-11-207. Approval of plan for unit operations by persons paying costs.
82-11-208. Board orders — amendment.
82-11-209. Units established by previous order.
82-11-210. Unit operations — less than whole of pool.
82-11-211. Operations considered as done by all owners in unit.
82-11-212. Property rights and operator's lien.
82-11-213. Contract not terminated by board order.
82-11-214. Title to oil and gas rights not affected by board order.
82-11-215. Unit operation not restraint of trade.
82-11-216. No creation of relationship between parties in unit.

Part 3 — Interstate Oil and Gas Conservation Compact

82-11-301. Authorization to join interstate compact for conservation of oil and gas.
82-11-302. Interstate oil and gas compact.
82-11-303. Extension of expiration date.
82-11-304. Governor as member of interstate oil compact commission.
82-11-305. Limitation on power of representative.
82-11-306. Expenses of representative.

Chapter Cross-References

Board of Oil and Gas Conservation, 2-15-3303.

Duty to notify weed management district when proposed project will disturb land, 7-22-2152.

Duties of Board of Oil and Gas Conservation relating to underground natural gas reservoir appropriations, 70-30-203, 70-30-206.

Production of water from oil and gas wells, 85-2-510.

Part 1

Regulation by Board of Oil and Gas Conservation

82-11-101. Definitions. As used in this chapter, unless the context requires otherwise, the following definitions apply:

(1) "Administrator" means the administrator of the division of oil and gas conservation.

(2) "Board" means the board of oil and gas conservation provided for in 2-15-3303.

(3) "Class II injection well" means a well, as defined by the federal environmental protection agency or any successor agency, that injects fluids:

(a) that have been brought to the surface in connection with oil or natural gas production;

(b) for purposes of enhancing the ultimate recovery of oil or natural gas; or

(c) for purposes of storing liquid hydrocarbons.

(4) "Department" means the department of natural resources and conservation provided for in Title 2, chapter 15, part 33.

(5) "Determinations" means those decisions delegated to the state by or under authority of the Natural Gas Policy Act of 1978 or any successor or similar legislation relating to oil and gas.

(6) "Enhanced recovery" means the increased recovery from a pool achieved by artificial means or by the application of energy extrinsic to the pool; such artificial means or application includes pressuring, cycling, pressure maintenance, or injection into the pool of any substance or form of energy as is contemplated in secondary recovery and tertiary programs but does not include the injection in a well of a substance or form of energy for the sole purpose of aiding in the lifting of fluids in the well or stimulating of the reservoir at or near the well by mechanical, chemical, thermal, or explosive means.

(7) "Field" means the general area underlaid by one or more pools.

(8) "Fluid" means any material or substance that flows or moves, whether in a semisolid, liquid, sludge, gas, or any other form or state.

(9) "Gas" means all natural gases and all other fluid hydrocarbons as produced at the wellhead and not defined as oil in subsection (10) of this section.

(10) "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity which are produced at the wellhead in liquid form by ordinary production methods and which are not the result of condensation of gas before or after it leaves the reservoir.

(11) "Owner" means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas he produces from a pool either for himself or others or for himself and others, and the term includes all persons holding that authority by or through him.

(12) "Person" means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind and includes any agency or instrumentality of the state or any governmental subdivision of the state.

(13) "Pollution" means contamination or other alteration of the physical, chemical, or biological properties of any state waters that exceeds that permitted by state water quality standards or standards adopted by the board, including but not limited to the disposal, discharge, seepage, drainage, infiltration, flow, or injection of any liquid, gaseous, solid, or other substance into any state waters that will or is likely to create a nuisance or render the waters harmful, detrimental, or injurious to public health, recreation, safety, welfare, livestock, wild animals, birds, fish, or other wildlife. A disposal, discharge, seepage, drainage, infiltration, flow, or injection of fluid that is authorized under a rule, permit, or order of the board is not pollution under this chapter.

(14) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both; each zone of a structure which is completely separated from any other zone in the same structure is a pool, as that term is used in this chapter.

(15) "Producer" means the owner of a well or wells capable of producing oil or gas or both.

(16) "Responsible person" means a person who is determined by the board under 82-10-402 to have abandoned an oil or gas well, injection well, disposal well, water source well, drill site, sump, seismographic shot hole, or other area where oil and gas drilling and production operations were conducted.

(17) "State waters" means any body of water, either surface or underground.

(18) "Waste" means:

(a) physical waste, as that term is generally understood in the oil and gas industry;

(b) the inefficient, excessive, or improper use of or the unnecessary dissipation of reservoir energy;

(c) the location, spacing, drilling, equipping, operating, or producing of any oil or gas well or wells in a manner which causes or tends to cause reduction in the quantity of oil or gas ultimately recoverable from a pool under

prudent and proper operations or which causes or tends to cause unnecessary or excessive surface loss or destruction of oil or gas; and

(d) the inefficient storing of oil or gas. (The production of oil or gas from any pool or by any well to the full extent that the well or pool can be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the board, is not waste within the meaning of this definition.)

History: En. Sec. 3, Ch. 238, L. 1953; amd. Sec. 55, Ch. 253, L. 1974; amd. Sec. 1, Ch. 336, L. 1977; R.C.M. 1947, 60-128(part); amd. Sec. 1, Ch. 19, L. 1979; amd. Sec. 5, Ch. 239, L. 1983; amd. Sec. 1, Ch. 503, L. 1987; amd. Sec. 10, Ch. 530, L. 1989; amd. Sec. 1, Ch. 734, L. 1991.

Compiler's Comments

1991 Amendment: In definition of responsible person inserted "disposal well, water source well, drill site", after "hole" inserted "or other area where oil and gas drilling and production operations were conducted", and deleted former (a) and (b) requiring responsible person to be either a corporation, association, partnership, or other business organization with assets in excess of $250,000 or, if the business organization does not have assets in excess of $250,000, to be a natural person with primary ownership in the business organization; and made minor changes in style.

82-11-102. Oil or gas wells not public utilities. Nothing in this chapter shall in any manner be construed as constituting or attempting to constitute oil or gas wells as a public utility or utilities.

History: En. Sec. 20, Ch. 238, L. 1953; amd. Sec. 79, Ch. 253, L. 1974; R.C.M. 1947, 60-143.

82-11-103. Lands subject to law. This chapter applies to all lands in the state lawfully subject to its police powers, including all state-owned lands. It applies to lands of the United States or to lands subject to the jurisdiction of the United States only to the extent that control and supervision of conservation of oil and gas by the United States on its lands fails to effect the intent and purposes of this chapter and otherwise applies to those lands to the extent that any officer of the United States having jurisdiction or his duly authorized representative approves any of the provisions of this chapter or an order of the board that affects those lands. This chapter also applies to any lands committed to a unit agreement approved by the secretary of the interior or his duly authorized representative, except that the board may, with respect to those unit agreements, suspend the application of this chapter or any part of this chapter so long as the conservation of oil and gas and the prevention of waste as provided in this chapter is accomplished under the unit agreements. The suspension does not relieve an operator or owner from making reports that may be required by the board with respect to operations and production under the unit agreement, and the suspension does not relieve an operator or owner from the payment of taxes on his oil and gas production or payment for permit fees as required by this chapter.

History: En. Sec. 17, Ch. 238, L. 1953; amd. Sec. 76, Ch. 253, L. 1974; R.C.M. 1947, 60-140; amd. Sec. 2, Ch. 734, L. 1991.

Compiler's Comments

1991 Amendment: In first sentence after "its" deleted "taxation and" and after "powers" inserted "including all state-owned lands"; and made minor changes in style.

Cross-References

Sovereignty and jurisdiction of the state, 2-1-102.

Jurisdiction over federal enclaves, 2-1-202.

82-11-104. Construction — no conflict with board of land commissioners' authority. No provision of this chapter may be construed to conflict with 77-3-430, granting the board of land commissioners the authority to enter into pooling and unitization agreements for the production of oil or gas with others, provided that state lands are subject to the provisions of this chapter concerning spacing and statutory pooling and unitization in the absence of voluntary pooling and unitization agreements.

History: En. Sec. 3, Ch. 238, L. 1953; amd. Sec. 55, Ch. 253, L. 1974; amd. Sec. 1, Ch. 336, L. 1977; R.C.M. 1947, 60-126(part); amd. Sec. 3, Ch. 734, L. 1991.

Compiler's Comments

1991 Amendment: At end of section inserted proviso subjecting state lands to laws concerning space and statutory pooling and unitization in absence of agreements; and made minor changes in style.

82-11-105 through 82-11-110 reserved.

82-11-111. Powers and duties of board. (1) The board shall make such investigations as it considers proper to determine whether waste exists or is imminent or whether other facts exist which justify any action by the board under the authority granted by this chapter with respect thereto.

(2) Subject to the administrative control of the department under 2-15-121, the board shall:

(a) require measures to be taken to prevent contamination of or damage to surrounding land or underground strata caused by drilling operations and production, including but not limited to regulating the disposal or injection of water and disposal of oil field wastes;

(b) classify wells as oil or gas wells or class II injection wells for purposes material to the interpretation or enforcement of this chapter;

(c) adopt and enforce rules and orders to effectuate the purposes and the intent of this chapter.

(3) The board shall determine and prescribe what producing wells shall be defined as "stripper wells" and what wells shall be defined as "wildcat wells" and make such orders as in its judgment are required to protect those wells and provide that stripper wells may be produced to capacity if it is considered necessary in the interest of conservation to do so.

(4) With respect to any pool from which gas was being produced by a gas well on or prior to April 1, 1953, this chapter does not authorize the board to limit or restrain the rate (daily or otherwise) of production of gas from that pool by any well then or thereafter drilled and producing from that pool to less than the rate at which the well can be produced without adversely affecting the quantity of gas ultimately recoverable by the well.

(5) The board has exclusive jurisdiction over all class II injection wells and all pits and ponds in relation to those injection wells. The board may:

(a) issue, suspend, revoke, modify, or deny permits to operate class II injection wells, consistent with rules made by it;

(b) examine plans and other information needed to determine whether a permit should be issued or require changes in plans as a condition to the issuance of a permit;

(c) clearly specify in a permit any limitations imposed as to the volume and characteristics of the fluids to be injected and the operation of the well;

(d) authorize its staff to enter upon any public or private property at reasonable times to:

(i) investigate conditions relating to violations of permit conditions;

(ii) have access to and copy records required under this chapter;

(iii) inspect monitoring equipment or methods; and

(iv) sample fluids which the operator is required to sample; and

(e) adopt standards for the design, construction, testing, and operation of class II injection wells.

(6) The board shall determine, for the purposes of using the oil and gas production damage mitigation account established in 82-11-161:

(a) when the person responsible for an abandoned well, sump, or hole cannot be identified or located, or if the person is identified or located, when the person does not have sufficient financial resources to properly plug the well, sump, or hole; or

(b) when a previously abandoned well, sump, or hole is the cause of potential environmental problems and no responsible party can be identified or located or, if a responsible party can be identified and located, the person does not have sufficient financial resources to correct the problems.

History: En. Sec. 4, Ch. 238, L. 1953; amd. Sec. 16, Ch. 93, L. 1969; amd. Sec. 56, Ch. 253, L. 1974; amd. Sec. 1, Ch. 260, L. 1974; amd. Sec. 1, Ch. 222, L. 1975; R.C.M. 1947, 60-127(part); amd. Sec. 4, Ch. 93, L. 1983; amd. Sec. 2, Ch. 503, L. 1987; amd. Sec. 4, Ch. 530, L. 1989.

Cross-References

Adoption and publication of rules, Title 2, ch. 4, part 3.

Administrative procedure, 82-11-141.

Jurisdiction of Board over water produced from oil and gas wells, 85-2-510.

82-11-112. Intergovernmental cooperation. The board may cooperate with any other state, interstate, or federal agency and other governmental agencies of the state to effect the objects and purposes of this chapter and expend such funds as may be reasonably necessary in connection therewith.

History: En. Sec. 18, Ch. 238, L. 1953; amd. Sec. 77, Ch. 253, L. 1974; R.C.M. 1947, 60-141.

82-11-113. Role of board in implementation of national gas policy. The board is designated as the state jurisdictional agency for purposes of the Natural Gas Policy Act of 1978 or any successor or similar legislation relating to oil and gas.

History: En. Sec. 2, Ch. 19, L. 1979.

82-11-114. Appointment of examiners. The board shall designate one or more examiners to make determinations as defined in 82-11-101. To be appointed as an examiner, an individual must possess a degree in petroleum engineering or geology.

History: En. Sec. 3, Ch. 19, L. 1979.

82-11-115. Procedure to make determinations. (1) The board shall adopt rules to govern the making of determinations. These rules shall be adopted pursuant to the Montana Administrative Procedure Act, but the procedure to be employed in making determinations is not subject to the Montana Administrative Procedure Act. The rules may provide that tes-

timony may only be submitted in writing and that no cross-examination is allowed.

(2) Any determination made by an examiner under this section and 82-11-114 shall be reviewed by the board upon request of two members of the board. The review by the board is subject to the notice and hearing but not the appeal provisions of the contested case procedures of the Montana Administrative Procedure Act. The request for review must be made within 20 days after an examiner makes a determination. If no request for a review is made during this 20-day period, the examiner's determination is considered to be the determination of the board and the determination, together with the accompanying record, shall be forwarded to the federal energy regulatory commission for review. If a review by the board is requested, the board shall forward the final determination to the federal energy regulatory commission.

History: En. Sec. 4, Ch. 19, L. 1979.

Cross-References

Montana Administrative Procedure Act, Title 2, ch. 4.

Adoption and publication of rules, Title 2, ch. 4, part 3.

82-11-116. Public access. All applications for a determination and all determinations made pursuant to 82-11-114 and 82-11-115 shall be made available for public inspection at the Billings and Helena offices of the board.

History: En. Sec. 5, Ch. 19, L. 1979.

Cross-References

Citizens entitled to inspect and copy public writings, 2-6-102.

82-11-117. Confidentiality of records. (1) Any information that is furnished to the board or the board's staff or that is obtained by either of them is a matter of public record and open to public use. However, any information unique to the owner or operator that would, if disclosed, reveal methods or processes entitled to protection as trade secrets must be maintained as confidential if so determined by the board.

(2) If an owner or operator disagrees with a determination by the board that certain material will not be maintained as confidential, the owner or operator may file a declaratory judgment action in a court of competent jurisdiction to establish the existence of a trade secret if he wishes such information to enjoy confidential status. The department must be served in any such action and may intervene as a party.

(3) Any information not intended to be public when submitted to the board or the board's staff must be submitted in writing and clearly marked as confidential.

(4) Data describing physical and chemical characteristics of a liquid, gaseous, solid, or other substance injected or discharged into state waters may not be considered confidential.

(5) The board may use any information in compiling or publishing analyses or summaries relating to water pollution if such analyses or summaries do not identify the owner or operator or reveal any information that is otherwise made confidential by this section.

History: En. Sec. 3, Ch. 503, L. 1987.

82-11-118 through 82-11-120 reserved.

82-11-121. Oil and gas waste prohibited. Waste of oil and gas or either of them as waste is defined in this chapter is prohibited.

History: En. Sec. 1, Ch. 238, L. 1953; Sec. 60-124, R.C.M. 1947; amd. and redes. 60-127.1 by Sec. 54, Ch. 253, L. 1974; R.C.M. 1947, 60-127.1.

82-11-122. Notice of intention to drill or conduct seismic operations — notice to surface owner. It is unlawful to commence the drilling of a well for oil or gas without first filing with the board written notice of intention to drill and obtaining a drilling permit as provided in 82-11-134. After the permit is issued, an oil and gas developer or operator as defined under 82-10-502 shall comply with the notice requirements of 82-10-503 before commencing drilling operations. It is unlawful to conduct seismic explorations without first giving the board a copy of the notice of intention to explore filed with the county under 82-1-103.

History: En. Sec. 5, Ch. 238, L. 1953; amd. Sec. 57, Ch. 253, L. 1974; amd. Sec. 2, Ch. 260, L. 1974; R.C.M. 1947, 60-128; amd. Sec. 5, Ch. 339, L. 1985; amd. Sec. 4, Ch. 497, L. 1985.

Cross-References

Surface owner damage and disruption compensation, Title 82, ch. 10, part 5.

82-11-123. Requirements for oil and gas operations. Subject to the administrative control of the department under 2-15-121, the board shall require:

(1) identification of ownership of oil or gas wells, producing properties, and tanks;

(2) the making and filing of acceptable well logs, including bottom-hole temperatures, to facilitate the discovery of potential geothermal energy sources, reports on well locations, and the filing of directional surveys, if made; however, logs of exploratory or wildcat wells need not be filed for a period of 6 months following completion of those wells;

(3) the drilling, casing, producing, and plugging of wells and class II injection wells in such manner as to prevent the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, blowouts, cave-ins, seepages, and fires and the pollution of fresh water supplies by oil, gas, salt, or brackish water;

(4) the restoration of surface lands to their previous grade and productive capability after a well is plugged or a seismographic shot hole has been utilized and necessary measures to prevent adverse hydrological effects from such well or hole, unless the surface owner agrees in writing, with the approval of the board or its representatives, to a different plan of restoration;

(5) the furnishing of a reasonable bond with good and sufficient surety, conditioned for performance of the duty to properly plug each dry or abandoned well, which bond may not be canceled or absolved:

(a) if the well fails to produce oil or gas in commercial quantities, until:

(i) the board determines the well is properly plugged and abandoned as provided in the board's rules; or

(ii) the requirements of 82-11-163 are met; or

(b) if the well is completed after June 30, 1989, until the owner notifies the board that the well is producing oil and gas in commercial quantities and meets the requirements of 82-11-162;

(6) proper gauging or other measuring of oil and gas produced and saved to determine the quantity and quality thereof;

(7) that every person who produces, transports, or stores oil or gas or injects or disposes of water in this state shall make available within this state for a period of 5 years complete and accurate records of the quantities thereof, which records shall be available for examination by the board or its employees at all reasonable times, and that that person file with the board such reports as it may prescribe with respect to quantities, transportations, and storages of the oil or gas or water; and

(8) the installation, use, and maintenance of monitoring equipment or methods in the operation of class II injection wells.

History: En. Sec. 4, Ch. 238, L. 1953; amd. Sec. 16, Ch. 93, L. 1969; amd. Sec. 56, Ch. 253, L. 1974; amd. Sec. 1, Ch. 260, L. 1974; amd. Sec. 1, Ch. 222, L. 1975; R.C.M. 1947, 60-127(part); amd. Sec. 4, Ch. 503, L. 1987; amd. Sec. 78, Ch. 83, L. 1989; amd. Sec. 5, Ch. 530, L. 1989.

Cross-References

Geophysical exploration, Title 82, ch. 1, part 1.

82-11-124. Requirements relating to waste prevention. Subject to the administrative control of the department under 2-15-121, the board shall, for the purpose of preventing waste:

(1) regulate the drilling, producing, and plugging of wells, the shooting and chemical treatment of wells, the spacing of wells, operations voluntarily entered into to increase ultimate recovery such as cycling of gas, the maintenance of pressure, and the introduction of gas, water, or other substances into producing formations; and

(2) fix, upon application made by any interested person after hearing, efficient gas-oil and water-oil ratios for any particular well or wells.

History: En. Sec. 4, Ch. 238, L. 1953; amd. Sec. 16, Ch. 93, L. 1969; amd. Sec. 56, Ch. 253, L. 1974; amd. Sec. 1, Ch. 260, L. 1974; amd. Sec. 1, Ch. 222, L. 1975; R.C.M. 1947, 60-127(part).

82-11-125. Availability of cores or chips, cuttings, and bottom-hole temperatures to board. (1) An owner drilling a well for gas or oil shall make available to the board at its field offices representative cores or chips, when available, the cuttings from the well, and the bottom-hole temperatures of the wells, in order to facilitate the discovery of geothermal potential. However, cores, chips, or cuttings need not be so made available for a period of 6 months following completion or abandonment of the wells. The board may, however, relieve the owner of a well of the obligation to furnish cores, chips, or cuttings when, in the opinion of the board, the furnishing thereof would be unduly burdensome for the owner; however, the owner desiring relief must apply to and receive permission from the board to not so furnish.

(2) The owner of a stratigraphic test well drilled for the purpose of obtaining lithologic information useful in potential oil and gas operations, as such well is defined by the board's rules, shall within 3 years from the date of

the cessation of the drilling of the well make available to the board complete sets of sample cuttings and representative cores or chips and well logs of the wells, which logs shall include among other information the size of casing used, the type and depth of water if any located, and bottom-hole temperatures for geothermal purposes. The board shall require and the owner of a stratigraphic test well shall furnish, prior to the commencement of drilling of the well, a good and sufficient surety bond, to be approved prior to the commencement of the drilling, conditioned upon the proper plugging of the well prior to abandonment, the amount of the bond to be determined by the estimated depth as in the board's rules provided for oil and gas wells; prior to abandonment, the wells shall be plugged by the owner thereof or by the surety should the owner be in default, the plugging to conform to the standards set down and determined by the board.

History: En. Sec. 21, Ch. 238, L. 1953; amd. Sec. 1, Ch. 224, L. 1955; amd. Sec. 1, Ch. 234, L. 1959; amd. Sec. 1, Ch. 208, L. 1973; amd. Sec. 80, Ch. 253, L. 1974; amd. Sec. 2, Ch. 222, L. 1975; R.C.M. 1947, 60-144; amd. Sec. 1, Ch. 248, L. 1983.

Cross-References

Suretyship, Title 28, ch. 11, part 4.

82-11-126. Availability of facilities to bureau of mines. The board may make available to the authorized personnel or representatives of the bureau of mines and geology such facilities, equipment, records, and cores and cuttings or samples of cores and cuttings as are or may be required by the bureau in the furtherance of its oil and gas research and study. Bottom-hole temperatures of oil and gas wells shall be made available to the bureau of mines and geology by the board in order to facilitate the determination of possible geothermal energy sources.

History: En. Sec. 3, Ch. 32, L. 1957; amd. Sec. 82, Ch. 253, L. 1974; amd. Sec. 3, Ch. 222, L. 1975; R.C.M. 1947, 60-148.

Cross-References

Establishment of Bureau of Mines and Geology, 20-25-211.

Bureau of Mines and Geology — purpose, 20-25-212.

Bureau director and assistants, 20-25-213.

82-11-127. Prohibited activity. (1) No person may:

(a) cause pollution of any state waters or place or cause to be placed any liquid, gaseous, solid, or other substance in a location where the substance is likely to cause pollution of any state waters;

(b) violate any provision set forth in a permit or stipulation, including but not limited to limitations and conditions contained in it;

(c) violate an order issued pursuant to this chapter; or

(d) violate a provision of this chapter.

(2) No person may drill, construct, convert, or operate a class II injection well or drill an oil or gas well or stratigraphic test well or core hole as described under 82-11-134 without a valid permit or order from the board.

History: En. Sec. 7, Ch. 503, L. 1987.

82-11-128 through 82-11-130 reserved.

82-11-131. Privilege and license tax. (1) For the purpose of providing funds for defraying the expenses of the operation and enforcement of this

chapter and expenses of the board, an operator or producer of oil and gas shall pay an assessment not to exceed 2/10 of 1% of the market value of each barrel of crude petroleum originally produced, saved and marketed, or stored within the state or exported from the state and the same rate on the market value of each 10,000 cubic feet of natural gas produced, saved and marketed, or stored within the state or exported therefrom.

(2) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure Act, fix the amount of the assessment and may from time to time reduce or increase the amount thereof as the expenses chargeable against the oil and gas conservation fund may require. However, the assessment fixed by the board may not exceed the limits prescribed in this section. The amount of the assessment shall be a percentage factor (not to exceed 100%) of the rate set forth in subsection (1) above, and the same percentage factor shall be applied by the board in fixing the amount of the assessment on each barrel of crude production and each 10,000 cubic feet of natural gas mentioned in that subsection. A producer of the crude petroleum and natural gas shall pay the assessment on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced for himself, as well as for another, including a royalty holder, and the producer shall be reimbursed for the payments made on crude oil and natural gas produced for another in the same manner as he is reimbursed for net proceeds tax paid under 15-23-607 on crude petroleum or natural gas produced for another.

(3) The department of revenue shall collect the privilege and license tax assessment in the same manner as the oil and gas severance tax is collected under Title 15, chapter 36.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(1) thru (3); amd. Sec. 7, Ch. 201, L. 1979; amd. Sec. 5, Ch. 93, L. 1983; amd. Sec. 144, Ch. 370, L. 1987.

Cross-References

Adoption and publication of rules, Title 2, ch. 4, part 3.

82-11-132. Statements to treasurer and payment of tax. (1) Each producer of crude petroleum in the state shall, not later than the last day of each of the calendar months of February, May, August, and November of each calendar year, render a true statement to the state treasurer and the department of revenue, duly signed and sworn to, of all crude petroleum produced and marketed by him in this state during the preceding quarter and containing such other information as the department of revenue may require and shall accompany the statement with the payment to the state treasurer of the assessment provided for in 82-11-131(1) for the period covered by the statement.

(2) Each producer of natural gas in the state shall render like statements to the state treasurer and the department of revenue of all natural gas produced and marketed by him in this state and shall make payment of the assessment provided for in 82-11-131(1) at such times and for such periods as may be prescribed by rule of the department of revenue.

(3) Any producer carrying on business at more than one place or location in this state may include all those places of business in one statement.

(4) The assessment imposed herein shall be due at the time the oil or natural gas is marketed. Oil or natural gas shall be deemed marketed when it is removed from the property from which it was produced.

(5) The department of revenue may adopt rules to implement this section.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(5); amd. Sec. 6, Ch. 93, L. 1983; amd. Sec. 2, Ch. 265, L. 1987.

Cross-References

Adoption and publication of rules, Title 2, ch. 4, part 3.

Release of producing oil or gas well from drilling bond — fee, 82-11-162.

Landowner's bond on noncommercial well, 82-11-163.

82-11-133. Penalty for late payment. An assessment not paid within the time specified is delinquent, and a penalty of 25% thereof shall be added thereto, and the whole thereof shall bear interest at the rate of 1% per month from the date of delinquency until paid. Upon request of the department of revenue or the board, the attorney general shall commence and prosecute to final determination in any court of competent jurisdiction an action at law to collect the same.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(6); amd. Sec. 7, Ch. 93, L. 1983.

82-11-134. Permit fees. In addition to the privilege and license tax, before commencing the drilling of an oil or gas well or stratigraphic test well or core hole, a person shall secure from the board a drilling permit and shall pay to the board therefor the following amounts:

(1) for each well whose estimated depth is 3,500 feet or less, $25;

(2) from 3,501 feet to 7,000 feet, $75;

(3) 7,000 feet and deeper, $150.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch. 413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(4).

82-11-135. Money earmarked for board expenses. All money collected under this chapter shall be deposited in the state special revenue fund by the state treasurer and shall be used for the purpose of paying all expenses of the board and for no other purpose. All these moneys shall be used by the board subject to biennial appropriations by the legislature. Income and interest from investment of the board's moneys in the state special revenue fund shall be credited to the board.

History: En. Sec. 22, Ch. 238, L. 1953; amd. Sec. 1, Ch. 234, L. 1955; amd. Sec. 1, Ch. 198, L. 1957; amd. Sec. 1, Ch. 47, L. 1961; amd. Sec. 160, Ch. 147, L. 1963; amd. Sec. 1, Ch. 315, L. 1973; amd. Sec. 1, Ch. 130, L. 1974; amd. Sec. 81, Ch. 253, L. 1974; amd. Sec. 1, Ch.

413, L. 1975; amd. Sec. 1, Ch. 178, L. 1977; amd. Sec. 1, Ch. 254, L. 1977; R.C.M. 1947, 60-145(7); amd. Sec. 1, Ch. 277, L. 1983; amd. Sec. 3, Ch. 265, L. 1987.

Treasury fund structure, 17-2-102.

Cross-References

No money expended except upon appropriation, Art. VIII, sec. 14, Mont. Const., 17-8-101.

82-11-136. Expenditure of funds from bonds for plugging wells. The board may accept and expend all funds received by it from bonds for properly plugging dry or abandoned wells as authorized in 82-11-123(5). These funds are statutorily appropriated as provided in 17-7-502.

History: En. Sec. 4, Ch. 265, L. 1987.

82-11-137. Class II injection well operating fee. (1) For the purpose of providing funds for defraying the expenses of operating and enforcing the class II injection well regulatory program, as defined by the federal environmental protection agency or any successor agency, each operator of a class II injection well may be required to pay an annual operating fee not to exceed $300 per injection well.

(2) The department shall collect the operating fee at such time as the board may prescribe by rule. All money collected under this section must be forwarded to the state treasurer for deposit in the state special revenue fund and must be used for the purpose prescribed in subsection (1).

(3) The board shall, by rule adopted pursuant to the provisions of the Montana Administrative Procedure Act, fix the amount of the fee described in subsection (1) and may from time to time reduce or increase the amount thereof as the expenses chargeable against the state special revenue fund may require. However, the assessment fixed by the board may not exceed the limits prescribed in subsection (1). The amount of the fee must be expressed in dollars.

History: En. Sec. 13, Ch. 503, L. 1987.

Cross-References

Adoption and publication of rules, Title 2, ch. 4, part 3.

82-11-138 through 82-11-140 reserved.

82-11-141. Administrative procedure. (1) Unless otherwise provided, the Montana Administrative Procedure Act applies to this chapter.

(2) An order or amendment thereof, except in an emergency, may not be made by the board without a public hearing upon at least 10 days' notice. The public hearing shall be held at such time and place as may be prescribed by the board, and any interested person is entitled to be heard.

(3) When an emergency requiring immediate action is found to exist, the board may issue an emergency order without advance notice or hearing which shall be effective upon promulgation. An emergency order may not remain in effect beyond the next regular meeting of the board.

(4) (a) If notice is required by the chapter and the Montana Administrative Procedure Act does not apply, the notice shall be made by publication in one or more issues of a newspaper in general circulation in Helena and a

newspaper of general circulation in the county where the land or some part thereon is situated, and the board may also cause publication to be made in a trade journal or bulletin of general circulation in the oil and gas industry in the state.

(b) At least 20 days prior to the public hearing, a person who applies to establish a well spacing unit under 82-11-201 or who applies to pool all interests in a well spacing unit pursuant to 82-11-202 shall cause written notice of any hearing thereon to be served upon the record owners of the oil and gas and leasehold interests sought to be spaced or pooled. Notice must be given by mailing the written notice, postage prepaid, to their addresses as shown by the record of the county clerk and recorder at the time the notice is given.

(5) If written notice is not possible, proof of service by publication under subsection (4) shall be made by the affidavit of the printer or publisher of the newspaper, trade journal, or bulletin in which the notice is published or by a foreman or principal clerk of the newspaper, bulletin, or trade journal.

(6) Except as provided otherwise in this chapter, the board may act upon its own motion or upon the petition of an interested person. On the filing of a petition concerning a matter within the jurisdiction of the board, the board shall promptly fix a date for a hearing thereon and shall cause notice of the hearing to be given. The hearing shall be held without undue delay after the filing of the petition. The board shall enter its order within 30 days after the hearing.

History: En. Sec. 9, Ch. 238, L. 1953; amd. Sec. 1, Ch. 213, L. 1961; amd. Sec. 71, Ch. 253, L. 1974; R.C.M. 1947, 60-132; amd. Sec. 6, Ch. 19, L. 1979; amd. Sec. 1, Ch. 238, L. 1987; amd. Sec. 5, Ch. 503, L. 1987.

Cross-References

Montana Administrative Procedure Act, Title 2, ch. 4.

82-11-142. Subpoena power — civil actions. (1) If the Montana Administrative Procedure Act does not apply, the board may subpoena witnesses, administer oaths, and require the production of records, books, and documents for examination at any hearing or investigation conducted by it. Witnesses subpoenaed under this subsection shall be paid the same per diem and mileage as is provided to be paid to witnesses attending the district courts of this state.

(2) This chapter, a suit by or against the board, a violation charged or asserted against a person under this chapter, or a rule or order issued under this chapter does not impair, abridge, or delay a cause of action for damages or other civil remedy which a person may have or assert against a person violating this chapter or a rule or order issued under it. A person so aggrieved by the violation may sue for and recover such damages or relief as he otherwise may be entitled to receive.

(3) A person, association, corporation, or agency of the state or federal government may apply to the board protesting a violation or a threatened violation of this chapter. The board shall make an investigation and make a written report to the person, association, corporation, or agency that made the protest. If a violation is established by the investigation of the board, the

board shall take appropriate enforcement action. If the board fails to take appropriate enforcement action or to bring suit to enjoin a threatened violation of this chapter or a rule or order of the board within 10 days after receipt of written request to do so by a person who is or will be adversely affected, the person making the request may bring the suit in his own behalf to restrain the threatened violation in a court in which the board might have brought suit. The board shall be made a party defendant in the suit in addition to the person threatening to violate this chapter or a rule or order of the board, and the action shall proceed and injunctive relief may be granted without bond in the same manner as if suit had been brought by the board.

(4) If a person fails or refuses to comply with the subpoena issued by the board or if a witness refuses to testify as to any material matter regarding which he may be interrogated, any district court in the state, upon good cause shown by the application of the board, may issue a warrant of attachment for the person and, if after hearing the court finds his failure or refusal to be unjustified, compel him to comply with the subpoena and to attend before the board and produce any subpoenaed records, books, and documents for examination and to give his testimony. The court may punish for contempt as in the case of disobedience to a like subpoena issued by the court or for refusal to testify therein.

History: En. Sec. 10, Ch. 238, L. 1953; amd. Sec. 72, Ch. 253, L. 1974; R.C.M. 1947, 60-133; amd. Sec. 6, Ch. 503, L. 1987.

Cross-References

Mileage allowance for witnesses, 2-18-503.

What acts or omissions are contempts, 3-1-501.

Duties of District Court Clerk relating to jurors and witnesses, 3-5-510.

Procedure in reference to witnesses' certificates, 3-5-511.

Statement to Board of County Commissioners concerning witnesses, 3-5-512.

Subpoenas, Title 26, ch. 2, part 1.

Witness fees in Courts of record and before certain Court officers, 26-2-501.

Injunctions, Title 27, ch. 19.

Mandamus, Title 27, ch. 26.

82-11-143. Rehearing. A person adversely affected by a rule or order of the board may within 20 days after its effective date apply to the board in writing for a rehearing. The application for rehearing must be acted upon at the board's next regularly scheduled meeting after filing of the application, and if granted, the rehearing must be held without undue delay.

History: En. Sec. 11, Ch. 238, L. 1953; amd. Sec. 73, Ch. 253, L. 1974; R.C.M. 1947, 60-134; amd. Sec. 1, Ch. 363, L. 1991.

Compiler's Comments

1991 Amendment: In second sentence substituted "at the board's next regularly scheduled meeting" for "within 10 days"; and made minor changes in style. Amendment effective April 6, 1991.

82-11-144. Court review. Any interested person adversely affected by any provision of this chapter or by any rule or order adopted by the board hereunder or by any act done or threatened thereunder may obtain court review and seek relief by a suit for an injunction against the board as defendant, which suit may be instituted in the district court of the county where the board keeps its principal office or in the district court of any county wherein the land involved or any part thereof is situated. The term "interested person", as used herein, shall be interpreted broadly and liberally, especially

where the suit involves the right to drill a well or involves some other act which clearly affects the plaintiff even though the effect is indirect. If the act complained of involves a general order for a pool or the right to drill a well therein, a person who owns or has an interest in a well in the pool, which well is capable of producing oil or gas, shall be considered to be prima facie an interested person. The suit shall be given a preferential setting and shall be tried de novo and disposed of as an ordinary civil suit and not upon the record of any hearing before the board. The statute, rule, order, or decision involved in the suit shall be prima facie valid; however, the finding of fact, actual or presumed, made by the board in support of the rule, order, or decision involved in the suit is not binding on the court though supported by evidence introduced at a hearing before the board. The court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of any board action. The court shall:

(1) compel board action unlawfully withheld or unreasonably delayed;

(2) hold unlawful and set aside board action, findings, and conclusions found to be:

(a) arbitrary, unreasonable, capricious, and abuse of discretion or otherwise not in accordance with law;

(b) contrary to constitutional right, power, privilege, or immunity;

(c) in excess of statutory jurisdiction, authority, or limitations or short of statutory right;

(d) without observance of procedure required by law; or

(e) unwarranted by the facts; and

(3) consider all the evidence, pass on the credibility of witnesses and the weight to be given their testimony, and resolve such fact issues as may be necessary for decision in the case.

History: En. Sec. 12, Ch. 238, L. 1953; amd. Sec. 74, Ch. 253, L. 1974; R.C.M. 1947, 60-135(1).

Cross-References

Judicial review of contested cases, Title 2, ch. 4, part 7.

82-11-145. Injunction or restraining order. (1) A temporary restraining order or temporary injunction of any kind may not be granted against the board and its members or against the attorney general or against an employee of the board, restraining the board and its members or employees or the attorney general from enforcing this chapter or any rule or order made thereunder, until it is shown to the satisfaction of the court that the act done or threatened is probably without sanction of the law or that the provisions of this chapter or the rule or order complained of is probably invalid or unreasonable and that, if enforced against the complaining party, will probably cause an irreparable injury.

(2) With respect to an order or decree granting temporary injunctive relief, the nature and extent of the probable invalidity of the statute or of any provision of this chapter or of a rule or order thereunder involved in the suit must be recited in the order or decree granting the temporary relief, as well as a clear statement of the probable damage relied upon by the court as justifying temporary injunctive relief.

(3) A temporary restraining order or temporary injunction of any kind against the board or its members or its employees or the attorney general may not be effective until the plaintiff executes a bond with sufficient sureties in such amount and upon such conditions as the court directs. The bond shall be made payable to the state of Montana, shall be approved by the judge of the court, and shall be for the use and benefit of all persons who may be injured by the acts done under the protection of the temporary restraining order or temporary injunction. A person claiming injury must bring suit within 6 months after the date of the final determination of the validity in whole or in part of the provisions of the chapter or the rule or order, the enforcement of which was enjoined; otherwise the right to bring such suit is forever barred.

History: En. Sec. 12, Ch. 238, L. 1953; amd. Sec. 74, Ch. 253, L. 1974; R.C.M. 1947, 60-135(2), (3).

Cross-References

Immunity of governmental entities from actions for damages, 2-9-105 through 2-9-113.

Injunctions, Title 27, ch. 19.

82-11-146. Appeal. An appeal to the supreme court may be taken from any final judgment, decree, or order in the action, as provided in the Montana Rules of Appellate Procedure.

History: En. Sec. 12, Ch. 238, L. 1953; amd. Sec. 74, Ch. 253, L. 1974; R.C.M. 1947, 60-135(4).

82-11-147. Violations. (1) Notwithstanding any other provisions of this chapter, if the board finds upon receipt of evidence:

(a) that a person is violating or threatening to violate this chapter or a rule or order of the board, the board may bring suit against that person in the district court of any county where the violation occurs or is threatened to restrain the person from continuing the violation or from carrying out the threat of violation; or

(b) that a person is violating this chapter or a rule or order of the board in a manner for which the board is authorized to institute proceedings pursuant to 82-11-149, the board may issue an order either assessing a civil penalty in the amount prescribed in 82-11-149, up to a maximum administrative penalty of $125,000, or requiring compliance with this chapter or a rule or order, or both.

(2) In a suit under subsection (1)(a), the court may grant to the board, without bond or other undertaking, such prohibitory and mandatory injunctions as the facts may warrant, including temporary restraining orders.

History: En. Sec. 13, Ch. 238, L. 1953; amd. Sec. 75, Ch. 253, L. 1974; R.C.M. 1947, 60-136; amd. Sec. 10, Ch. 503, L. 1987.

Cross-References

Injunctions, Title 27, ch. 19.

82-11-148. Criminal penalties. A person is guilty of a misdemeanor and shall be subject to a fine of not more than $10,000 per day of violation or imprisonment in a county jail for a term not exceeding 6 months or to both the fine and imprisonment if that person willfully violates any lawful rule or

order of the board or if that person, for the purpose of evading this chapter or any rule or order of the board, knowingly and willfully:

(1) makes or causes to be made a false entry or statement in a report required by this chapter or by a rule or order of the board or a false entry in a record, account, or memorandum required by this chapter or by a rule or order;

(2) omits or causes to be omitted from the record, account, or memorandum full, true, and correct entries as required by this chapter or by a rule or order; or

(3) removes from this state or destroys, mutilates, alters, or falsifies the record, account, or memorandum.

History: En. Sec. 19, Ch. 238, L. 1953; amd. Sec. 78, Ch. 253, L. 1974; R.C.M. 1947, 60-142; amd. Sec. 12, Ch. 503, L. 1987.

Cross-References

Unsworn falsification to authorities, 45-7-203.

82-11-149. Civil penalties. (1) A person is guilty of a misdemeanor and is subject to a civil penalty of at least $75 and not more than $10,000 a day for each violation if that person violates any rule or order of the board or a provision of this chapter. Each day of violation constitutes a separate violation.

(2) Action under this section does not bar enforcement of this chapter or of rules or orders issued under it by injunction or other appropriate remedy.

(3) The board, or the attorney general upon request of the board, shall institute and maintain any enforcement proceedings in the name of the state.

History: En. Sec. 11, Ch. 503, L. 1987; amd. Sec. 2, Ch. 363, L. 1991.

Compiler's Comments

1991 Amendment: In first sentence of (1) revised penalty from at least $5,000 to at least $75 and not more than $10,000 a day for each violation. Amendment effective April 6, 1991.

Cross-References

Injunctions, Title 27, ch. 19.
Misdemeanor defined, 45-2-101.

82-11-150. Legal assistance. When requested by the board, the attorney general or the county attorneys within their respective counties shall perform legal services and conduct legal proceedings necessary to carry out the purposes of this chapter. The board may also employ legal counsel to enforce this chapter and to conduct proceedings under it.

History: En. Sec. 8, Ch. 503, L. 1987.

82-11-151. Emergencies — notice and hearing. (1) Notwithstanding any other provisions of this chapter, if the administrator or a board member finds that a person is committing or about to commit an act in violation of this chapter or any order or rule issued under it which, if it occurs or continues, will cause substantial pollution, the administrator under order of the board or the board member is authorized to order the person to stop, avoid, or moderate the act, including immediate closure or shutdown of any well. This authority is limited to acts the harmful effects of which will not be remedied immediately after the commission or cessation of the act or will represent an immediate threat to public health, safety, or welfare.

(2) When any emergency requiring immediate action is found pursuant to subsection (1), the board is authorized to issue an emergency order without notice or hearing, which is effective upon issuance as provided in 82-11-141(3).

(3) The board may have written notice served, personally or by mail, on the alleged violator or his agent. The notice must state the provision alleged to be violated, the facts alleged to constitute the violation, the nature of corrective action the board requires, and the time within which the action is to be taken. For the purposes of this section, service by mail is complete on the date of mailing.

(4) The notice must indicate that the order is an emergency order.

(5) Pursuant to 82-11-141(3), the board may consider the emergency order at its next regular meeting, without compliance with the notice requirements of this chapter if they cannot be accomplished within the time available, and enter a second emergency order.

(6) Upon issuing an order under subsection (2), the board may fix a place and time for a hearing, not later than 5 days thereafter unless the person to whom the order is directed requests a later time. The board may deny a request for a later time if it finds that the person to whom the order is directed is not complying with the order. If the board considers it practicable, the hearing must be held in the county where the violation is alleged to have occurred. As soon as practicable after the hearing, the board shall affirm, modify, or set aside the order.

(7) If the order of the board is affirmed, it must be accompanied by a statement specifying the date or dates by which a violation must cease and may prescribe timetables for necessary action in preventing, abating, or controlling the pollution. An action for review of the order of the board may be initiated in the manner specified in 82-11-144. The initiation of such an action or taking of an appeal may not stay the effectiveness of the order unless the court finds that the board did not have reasonable cause to issue an order under this section.

History: En. Sec. 9, Ch. 503, L. 1987.

82-11-152 through 82-11-160 reserved.

82-11-161. Oil and gas production damage mitigation account — statutory appropriation. (1) There is an oil and gas production damage mitigation account within the state special revenue fund established in 17-2-102. The oil and gas production damage mitigation account is controlled by the board.

(2) On July 1, 1991, and at the beginning of each succeeding biennium, there must be allocated to the oil and gas production damage mitigation account $50,000 from the interest income of the resource indemnity trust fund, except if at the beginning of a biennium the unobligated cash balance in the oil and gas production damage mitigation account:

(a) equals or exceeds $200,000, no allocation will be made; or

(b) is less than $200,000, then an amount less than or equal to the difference between the unobligated cash balance and $200,000, but not more than $50,000, must be allocated to the oil and gas production damage mitigation account from the interest income of the resource indemnity trust fund.

(3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas production damage mitigation account:

(a) all funds received by the board pursuant to 82-11-136; and

(b) all fees received by the board from owners of producing wells pursuant to 82-11-162.

(4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole, drill site, or drilling or producing area has been abandoned and the responsible person cannot be identified or located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, drill site, or drilling or producing area within a reasonable time after demand by the board. The responsible person shall, however, pay costs to the extent of his available resources and is subsequently liable to fully reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the account to properly plug, reclaim, or restore the well, drill site, or drilling or producing area and to mitigate any damage for which he is responsible.

(5) Interest from funds in the oil and gas production damage mitigation account accrues to that account.

(6) The board shall, as provided in 5-11-210, submit to the legislature a complete financial report on the oil and gas production damage mitigation account, including a description of all expenditures made since the preceding report.

History: En. Sec. 6, Ch. 530, L. 1989; amd. Sec. 56, Ch. 112, L. 1991; amd. Sec. 4, Ch. 734, L. 1991.

Compiler's Comments

1991 Amendments: Chapter 112 near beginning of (6) inserted reference to 5-11-210 and after "legislature" deleted "at the beginning of each regular session". Amendment effective March 20, 1991.

Chapter 734 in (4), in first sentence after "well", inserted "and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations", after "hole" inserted "drill site, or drilling or producing area", and after "person" substituted "fails or refuses to properly plug, reclaim, or restore the well, drill site, or drilling or producing area within a reasonable time after demand by the board" for "does not have sufficient funds to pay the costs" and near end of second sentence, after "plug", inserted "reclaim, or restore", after "well" inserted "drill site, or drilling or producing area", and after "damage" substituted "for which he is responsible" for "caused by the well"; and made minor changes in style.

82-11-162. Release of producing oil or gas well from drilling bond — fee. Upon receipt of notification by the owner on a form prescribed by the board, payment by the owner of $125, and proof from the owner that a well completed after June 30, 1989, is producing oil or gas in commercial quantities and is subject to the tax under 15-38-104, the board shall release and absolve the owner of the well from the bond required under 82-11-123.

History: En. Sec. 7, Ch. 530, L. 1989.

82-11-163. Landowner's bond on noncommercial well. If the owner of the surface land upon which has been drilled a well that fails to produce oil or gas in commercial quantities acquires the well for domestic purposes, the

board may cancel and absolve the bond required in 82-11-123 upon its acceptance of surety in the form of a certificate of deposit, in the amount of $5,000 for a single well or in the amount of $10,000 for more than one well, or in the form of a property bond of two times the value of the required certificate of deposit. The release of the certificate of deposit or property bond must be conditioned on proof provided by the landowner that the well has been properly plugged.

History: En. Sec. 8, Ch. 530, L. 1989.

82-11-164. Lien created. (1) The oil and gas production damage mitigation account has a lien in the amount of the expenditure from the account under 82-11-161(4), plus interest accrued at the rate of 10% a year, against all real and personal property in this state owned by the responsible person or in which the responsible person has an interest.

(2) The lien created under subsection (1) must be filed in the office of the secretary of state and must attach to all real or personal property of the responsible person.

(3) A lien created by this section is valid until paid in full or otherwise discharged. The lien must be foreclosed in accordance with applicable laws governing foreclosure of liens.

History: En. Sec. 9, Ch. 530, L. 1989; amd. Sec. 5, Ch. 734, L. 1991.

Compiler's Comments

1991 Amendment: In middle of (1), after "person", deleted "if that person is subsequently identified or located" and after "or" substituted "in which the responsible person has an interest" for "the responsible person, if that person is known but cannot or will not fully reimburse the oil and gas production damage mitigation account"; at end of (3), before "liens", deleted "mortgages and"; and made minor changes in style.

Cross-References

Liens generally, Title 71, ch. 3.

Part 2

Unit Operations

82-11-201. Establishment of well spacing units. (1) To prevent or to assist in preventing waste of oil or gas prohibited by this chapter, the board, upon its own motion or upon application of an interested person, after hearing, may by order establish well spacing units for a pool as to oil wells or as to gas wells or both, except in those pools which, prior to April 1, 1953, have been developed to such an extent that it would be impracticable or unreasonable to establish spacing units at the existing stage of development. Spacing units when established shall insofar as possible be of uniform size and shape for the entire pool.

(2) The size and the shape of spacing units shall be such as will result in the efficient and economic development of the pool as a whole, and the size shall be the area that can be efficiently drained by one well.

(3) Subject to this chapter, the order establishing spacing units shall direct that no more than one well may be drilled and produced from the

common source of supply on any spacing unit and that the well shall be drilled at a location authorized by the order, with such exception as may be reasonably necessary where it is shown, upon application, notice, and hearing, and the board finds that the spacing unit is located on the edge of a pool or field and adjacent to a producing unit or, for some other reason, the requirement to drill the well at the authorized location on the spacing unit would be inequitable or unreasonable.

(4) An order establishing spacing units for a pool shall cover all lands then determined or then believed to be underlaid by the pool and may be modified after notice and hearing by the board from time to time to include additional areas subsequently determined to be underlaid by the pool. When found necessary for the prevention of waste, an order establishing spacing units in a pool may be modified after notice and hearing by the board to increase or decrease the size of spacing units in the pool or to permit the drilling of additional wells in the pool on a reasonably uniform plan.

History: En. Sec. 6, Ch. 238, L. 1953; amd. Sec. 58, Ch. 253, L. 1974; R.C.M. 1947, 60-129.

Cross-References

Administrative procedure, 82-11-141.

82-11-202. Pooling of interest within spacing unit. (1) When two or more separately owned tracts are embraced within a spacing unit or when there are separately owned interests in all or a part of the spacing unit, then the persons owning those interests may pool their interests for the development and operation of the spacing unit. In the absence of voluntary pooling within the spacing unit, the board, upon the application of an interested person, may enter an order pooling all interests in the spacing unit for the development and operation thereof. The pooling order shall be made after hearing and shall be upon terms and conditions that are just and reasonable and that afford to the owner of each tract or interest in the spacing unit the opportunity to recover or receive without unnecessary expense his just and equitable share of the oil or gas produced and saved from the spacing unit. Operations incident to the drilling of a well upon any portion of a spacing unit covered by a pooling order shall be considered, for all purposes, the conduct of the operations upon each separately owned tract in the spacing unit by the several owners thereof. That portion of the production allocated to each tract included in a spacing unit covered by a pooling order shall when produced be considered for all purposes to have been produced from the tract by a well drilled thereon.

(2) (a) The pooling order shall provide for the drilling and operating of a well on the spacing unit and for the payment of the cost thereof, which cost may include a reasonable charge for supervision, handling, and storage. As to each owner who refuses to pay his share of the costs of drilling and operating the well, the order shall provide for payment of his share of the cost out of and only out of production from the well allocable to his interest in the spacing unit, excluding royalty or other interest not obligated to pay any part of the cost thereof, and excluding the royalty provided for in subsection (2)(c) of this section. If a dispute arises as to the cost, the board by order shall determine the proper cost. The order may provide in substance that the owners who agree

to share in the cost of drilling and operating the well are, unless they agree otherwise, entitled to receive, subject to royalty or similar obligations, all of the production of the well until they have recovered all of the costs out of the production, and thereafter all of the owners in the spacing unit are entitled to receive their respective shares of the production of the well as their interest may appear after deducting their respective shares of current operating costs.

(b) If an owner refuses to pay his share of the costs of drilling and operating the well, the order must include as cost:

(i) 100% of the refusing owner's share of the cost of newly acquired surface equipment beyond the wellhead connections, including but not limited to stock tanks, separators, treaters, pumping equipment, and piping, plus 100% of the refusing owner's share of the cost of operation of the well commencing with first production and continuing until the agreeing owners have recovered such costs; and

(ii) 200% of the refusing owner's share of the costs and expenses of staking, well site preparation, obtaining rights-of-way, rigging up, drilling, reworking, deepening or plugging back, testing, and completing the well, after deducting any cash contributions received from the refusing owners by the agreeing owners, and 200% of that portion of the cost of equipment in the well, including the wellhead connections.

(c) A refusing owner of an oil and gas interest in a spacing unit which is not subject to any lease or other contract for development of oil and gas is considered to own a landowner royalty equal to one-eighth of his proportionate share of production from the well until such time as the consenting owners recover the costs specified in subsection (2)(b). Any interest in production from the spacing unit to which the interest of the refusing owner may be subject must be deducted from the royalty considered to be owned by the refusing owner. After costs have been recovered by the agreeing owners, the refusing owner owns his proportionate share of the well, surface facilities, and production and is liable for further costs as if he had originally agreed to drilling of the well.

(d) The operator of a well under a pooling order in which there is a refusing owner shall upon demand furnish such owner with a monthly statement of all costs incurred, together with the quantity of oil or gas produced and the amount of proceeds realized from the sale of production during the preceding month.

History: En. Sec. 7, Ch. 238, L. 1953; amd. Sec. 59, Ch. 253, L. 1974; R.C.M. 1947, 60-130; amd. Sec. 1, Ch. 694, L. 1985.

Cross-References

Pooling agreements and unit operations by Board of Land Commissioners, 77-3-430.

Acreage pooling by political subdivisions, 82-10-202.

Administrative procedure, 82-11-141.

82-11-203. Pooling agreements not in violation of antitrust laws. (1) An agreement for the unit or cooperative development and operation of a field or pool or any part of either or for conducting repressuring or pressure maintenance operations, cycling or recycling operations, including the extraction and separation of liquid hydrocarbons from natural gas in connection therewith, or any other method of unit or cooperative operation, including water flooding, is authorized and may be performed.

(2) Such an agreement does not violate any of the statutes of this state relating to trusts, monopolies, or contracts and combinations in restraint of trade if the agreement is approved by the board as being in the public interest and reasonably necessary to increase ultimate recovery or to prevent waste of oil or gas.

History: En. Sec. 8, Ch. 238, L. 1953; amd. Sec. 60, Ch. 253, L. 1974; R.C.M. 1947, 60-131.

Cross-References

Restraint of trade, Title 30, ch. 14, part 2.

82-11-204. Hearing on operation of pool as unit. (1) The board, upon the application of persons owning leasehold interests underlying 60% of the surface within the delineated area, shall hold a hearing to consider the need for the operation as a unit of one or more pools or parts thereof in a field for enhanced recovery purposes as to oil or oil and gas, to increase ultimate recovery, or to prevent waste of gas from pools or portions of pools where gas only is produced.

(2) At least 60 days prior to application, the applicant shall, by registered or certified mail, notify all known persons owning an interest in the oil and gas within the proposed unit area as disclosed by the records of the county or counties in which the proposed unit area is situated, at those persons' last known addresses, of the applicant's intention to make the application. At the same time producers shall be furnished with a plan of unit operations. Upon written request of an operator of a lease which is in whole or in part within the confines of the proposed delineated area, the applicant shall furnish the operator with copies of any exhibits to be submitted to the board at the time of hearing.

History: En. Sec. 1, Ch. 33, L. 1969; amd. Sec. 1, Ch. 150, L. 1971; amd. Sec. 61, Ch. 253, L. 1974; amd. Sec. 2, Ch. 336, L. 1977; R.C.M. 1947, 60-131.1.

Cross-References

Unit operation not restraint of trade, 82-11-215.

82-11-205. Board order for unit operation — criteria. The board shall make an order providing for the unit operation of a pool or pools or part thereof if it determines, based on evidence presented at the hearing, that:

(1) such operation is reasonably necessary to increase the ultimate recovery of oil or gas;

(2) the value of the estimated additional recovery of oil or gas less royalties or, as to gas pools only, the value of the economies to be effected, exceeds the estimated additional cost incident to conducting such operations; and

(3) the full areal extent of the pool or pools or part thereof has been reasonably defined and determined by drilling operations.

History: En. Sec. 2, Ch. 33, L. 1969; amd. Sec. 2, Ch. 150, L. 1971; amd. Sec. 62, Ch. 253, L. 1974; R.C.M. 1947, 60-131.2.

82-11-206. Terms and conditions of plan for unit operations. The order shall be upon terms and conditions that are just and reasonable and shall prescribe a plan for unit operations that shall include:

(1) a description of the pool or pools or parts thereof to be so operated, termed the unit area, but only so much of a pool as has reasonably been defined and determined by drilling operations to be productive of oil or gas may be included within the unit area. If the unit is formed solely for production of gas, a spacing unit on which is located a well producing or capable of producing gas on March 1, 1971, may not be included in the unit area without the written consent of the majority in interest of the working interest owners of the spacing unit and well.

(2) a statement of the nature and purpose of the plan and operations contemplated, together with a copy of the proposed unit agreement and unit operating agreement;

(3) a plan for allocating to each tract in the unit area its fair share of the oil and gas produced from the unit area and not required or consumed in the conduct of the operation of the unit area or unavoidably lost. A plan may not be approved by the board until it has considered the relative value that the share of production bears to the relative value of all of the separately owned tracts in the unit area, exclusive of physical equipment utilized in unit operations. In considering this relative value, the board shall weigh the economic value of the gas to all persons affected as compared to the economic value of the oil to all persons affected.

(4) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operations;

(5) a provision providing how the costs of unit operations, including overhead and capital investments, shall be determined and charged to the separately owned tracts, including a provision for carrying or otherwise financing any owner who has not executed the proposed unit operating agreement and who elects to be carried or otherwise financed, allowing an interest charge of the then current prime rate plus 2% for the service. Recovery of the money advanced plus interest shall be limited to and only shall be recoverable from the owners' share of production. The recovery shall be as follows:

(a) in the case of a field producing oil or oil and gas, during the period of depletion of the remaining estimated primary reserves from the unit, only from the production that is in excess of the owners' average actual rate of production during the 18 months immediately preceding the effective date of the unit; during the period subsequent to the depletion of the remaining estimated primary reserves from the unit, from 100% of the owners' share of production; for purposes of this subsection, the term "primary reserves" means the oil or gas which would be produced from the unitized pool or pools as a result of the natural energy therein and without the introduction of an enhanced recovery program;

(b) in the case of a field producing only gas, from 100% of the owners' share of production;

(c) in the case of any enhanced recovery program that is initiated subsequent to a secondary recovery program, the recovery shall be from 75% of the owners' increased share of production from such subsequent program;

(6) a provision for the supervision and conduct of the unit operations, in respect to which each owner shall have a vote with a value corresponding to the percentage of the costs of unit operations chargeable against the interest of the owner;

(7) a provision whereby the unit operator, after having operated for a minimum period of 2 years, can be challenged by any other owner in the unit, and the challenging owner may succeed to the unit operations upon a showing that:

(a) he can operate more efficiently and economically than the present operator;

(b) he is qualified and financially responsible;

(c) a majority of the other owners, both in number and in percentage and exclusive of the challenged operator, approved the challenging owner becoming unit operator; and

(d) the challenged operator does not initiate the conditions of operations of the challenging owner within 60 days of the challenged operator's receipt of the conditions of operations;

(8) the time when the unit operations shall commence and the manner in which and the circumstances under which the unit operations shall terminate; and

(9) such additional provisions that are found to be appropriate for carrying on unit operations and for the protection and adjustment of correlative rights.

History: En. Sec. 3, Ch. 33, L. 1969; amd. Sec. 3, Ch. 150, L. 1971; amd. Sec. 63, Ch. 253, L. 1974; amd. Sec. 3, Ch. 336, L. 1977; R.C.M. 1947, 60-131.3.

82-11-207. Approval of plan for unit operations by persons paying costs. An order of the board providing for unit operations may not become effective unless and until the plan for unit operations prescribed by the board has been approved in writing by those persons who under the board's order will be required to pay at least 80% of the costs of the unit operations and also by the persons owning at least 80% of the production or proceeds thereof that will be credited to interests which are free of cost, such as royalties, overriding royalties, and production payments, and the board has made a finding, either in the order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved; however, if one owner who is obligated to pay costs of the unit operation owns 80% or more but less than 100%, the approval of that owner and at least one other such owner is required, and if one person entitled to production or proceeds thereof that will be credited to interests which are free of costs owns 80% or more but less than 100%, the approval of that person and at least one other such person is required. If the plan for unit operations has not been so approved at the time the order providing for unit operations is made, the board shall, upon application and notice, hold such supplemental hearings as may be required to determine if and when the plan for unit operations has been so approved. If the requisite number of owners and persons and the requisite percentage of interests in the unit area do not approve the plan for unit operations within a period of 6 months from the date on which the order providing for unit

operations is made, the board shall revoke the order unless for good cause shown the board extends the time.

History: En. Sec. 4, Ch. 33, L. 1969; amd. Sec. 64, Ch. 253, L. 1974; R.C.M. 1947, 60-131.4.

82-11-208. Board orders — amendment. An order providing for unit operations may be amended by an order made by the board in the same manner and subject to the same conditions and notice as an original order providing for unit operations; however, if such an amendment affects only the rights and interests of the owners, the approval of the amendment by the persons owning interests which are free of costs, such as royalties, overriding royalties, and production payments, is not required, and an order of amendment may not change the percentage for the allocation of oil and gas as established for any tract by the original order, except with the consent of all persons owning oil and gas rights in the tract, or change the percentage for the allocation of cost as established for any tract by the original order, except with the consent of all owners in the tract.

History: En. Sec. 5, Ch. 33, L. 1969; amd. Sec. 65, Ch. 253, L. 1974; R.C.M. 1947, 60-131.5.

82-11-209. Units established by previous order. The board may provide by an order for the unit operation of a pool or pools or parts thereof that embrace a unit established by an order of the board made prior to February 13, 1969. The order, in providing for the allocation of unit production, shall first treat the unit area previously established as a single tract, and the portion of the unit production so allocated thereto shall then be allocated among the tracts included in the previously established unit area in the same proportions as those specified in the previous order. Any new owner whose interest by the order is added to the unit area and who becomes liable for his proportionate share of the costs of unit operations is not liable for any unit operating costs incurred prior to the person's entry in the unit. At the time the interest is included in the unit, an equipment inventory shall be made in order to charge the newly committed interest with its proportionate share of capital investment at its then value. An oil-in-storage inventory shall be taken immediately prior to adding the newly committed interest.

History: En. Sec. 6, Ch. 33, L. 1969; amd. Sec. 4, Ch. 150, L. 1971; amd. Sec. 66, Ch. 253, L. 1974; R.C.M. 1947, 60-131.6.

82-11-210. Unit operations — less than whole of pool. An order may provide for unit operations on less than the whole of a pool where the unit area is of such size and shape as may be reasonably required for that purpose and the conduct thereof will have no adverse effect upon other portions of the pool.

History: En. Sec. 7, Ch. 33, L. 1969; R.C.M. 1947, 60-131.7.

82-11-211. Operations considered as done by all owners in unit. (1) All operations, including but not limited to the commencement, drilling, or operation of a well upon any portion of the unit area, shall be considered for all purposes the conduct of those operations upon each tract in the unit area by the several owners thereof. The portion of the unit production allocated to

a tract in a unit area shall, when produced, be considered for all purposes to have been actually produced from the tract by a well drilled thereon.

(2) Operations conducted pursuant to an order of the board providing for unit operations shall constitute a fulfillment of all the express or implied obligations of each lease or contract covering lands in the unit area to the extent that the obligations cannot be performed because of the order of the board.

History: En. Sec. 8, Ch. 33, L. 1969; amd. Sec. 67, Ch. 253, L. 1974; R.C.M. 1947, 60-131.8.

82-11-212. Property rights and operator's lien. That portion of the unit production allocated to any tract and the proceeds from the sale thereof shall be the property and income of the several persons to whom or to whose credit the same are allocated or payable under the order providing for unit operations, except that the operator of the unit shall, subject to 82-11-206(5)(a), have a first and prior lien upon each owner's oil and gas rights and his share of unitized production to secure the payment of such owner's proportionate part of developing and operating the unit area. Such lien may be perfected and enforced in the same manner as provided in Title 71, chapter 3, part 5, as amended. Upon demand by any owner of working interest in any tract to which gas has been allocated, the unit operator shall deliver such allocated share of gas to the owner in kind; but the operator and the other owners of interest shall not be required to bear the cost of providing additional facilities for the delivery of such gas.

History: En. Sec. 9, Ch. 33, L. 1969; amd. Sec. 5, Ch. 150, L. 1971; R.C.M. 1947, 60-131.9.

82-11-213. Contract not terminated by board order. A division order or other contract relating to the sale or purchase or production from a tract may not be terminated by the order providing for unit operations but shall remain in force and apply to oil and gas allocated to the tract until terminated in accordance with the provisions thereof.

History: En. Sec. 10, Ch. 33, L. 1969; amd. Sec. 68, Ch. 253, L. 1974; R.C.M. 1947, 60-131.10.

82-11-214. Title to oil and gas rights not affected by board order. Except to the extent that the parties affected so agree, an order providing for unit operations does not result in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the unit area. All property, whether real or personal, that may be acquired in the conduct of unit operations hereunder shall be acquired for the account of the owners within the unit area and shall be the property of those owners in the proportion that the expenses of unit operations are charged.

History: En. Sec. 11, Ch. 33, L. 1969; amd. Sec. 69, Ch. 253, L. 1974; R.C.M. 1947, 60-131.11.

82-11-215. Unit operation not restraint of trade. The formation of a unit as provided in 82-11-204 through 82-11-216 and the operation of the unit under order of the board shall not be in violation of any statute of this state relating to trusts, monopolies, contracts, or combinations in restraint of trade.

History: En. Sec. 12, Ch. 33, L. 1969; amd. Sec. 70, Ch. 253, L. 1974; R.C.M. 1947, 60-131.12.

Cross-References
Restraint of trade, Title 30, ch. 14, part 2.

82-11-216. No creation of relationship between parties in unit. The formation of such a unit as herein provided will not create a relationship between the parties thereto which shall be deemed to be or constitute a joint endeavor, adventure, undertaking, association, or mining or other partnership.

History: En. Sec. 13, Ch. 33, L. 1969; R.C.M. 1947, 60-131.13.

Part 3

Interstate Oil and Gas Conservation Compact

82-11-301. Authorization to join interstate compact for conservation of oil and gas. The governor of the state of Montana is hereby authorized and directed, for and in the name of the state of Montana, to join with other states in the Interstate Compact To Conserve Oil and Gas, which was heretofore executed in the city of Dallas, Texas, on February 16, 1935, and is now deposited with the department of state of the United States and which has been extended with the consent of congress to September 1, 1947.

History: En. Sec. 1, Ch. 121, L. 1945; R.C.M. 1947, 60-601.

82-11-302. Interstate oil and gas compact. The Interstate Compact To Conserve Oil and Gas referred to in the above section, and which it is hereby proposed to enter and to extend by agreement reads as follows:

AN INTERSTATE COMPACT TO CONSERVE OIL AND GAS

Article I

This agreement may become effective within any compacting state at any time as prescribed by that state and shall become effective within those states ratifying it whenever any three of the states of Texas, Oklahoma, California, Kansas, and New Mexico have ratified and Congress has given its consent. Any oil-producing state may become a party hereto as hereinafter provided.

Article II

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

Article III

(1) Each state bound hereby agrees that within a reasonable time it will enact laws or if laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

(a) the operation of any oil well with an inefficient gas-oil ratio;

(b) the drowning with water of any stratum capable of producing oil or gas or both oil and gas in paying quantities;

(c) the avoidable escape into the open air or the wasteful burning of gas from a natural gas well;

(d) the creation of unnecessary fire hazards;

(e) the drilling, equipping, locating, spacing, or operating of a well or wells so as to bring about physical waste of oil or gas or loss in the ultimate recovery thereof;

(f) the inefficient, excessive, or improper use of the reservoir energy in producing any well.

(2) The enumeration of the foregoing subjects shall not limit the scope of the authority of any state.

Article IV

Each state bound hereby agrees that it will, within a reasonable time, enact statutes or if such statutes have been enacted then that it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order, or regulation promulgated thereunder shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

Article V

It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof or create or perpetuate monopoly or to promote regimentation but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

Article VI

(1) Each state joining herein shall appoint one representative to a commission hereby constituted and designated as the interstate oil compact commission, the duty of which said commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said commission deems beneficial, it shall report its findings and recommendations to the several states for adoption or rejection.

(2) The commission shall have the power to recommend the coordination of the exercise of the police powers of the several states within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said states and to recommend measures for the maximum ultimate recovery of oil and gas. Said commission shall organize and adopt suitable rules and regulations for the conduct of its business.

(3) No action shall be taken by the commission except:

(a) by the affirmative votes of the majority of the whole number of the compacting states, represented at any meeting; and

(b) by a concurring vote of a majority in interest of the compacting states at said meeting, such interest to be determined as follows: Such vote of each state shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half year to the daily average production of the compacting states during said period.

82-11-305. Limitation on power of representative. Nothing in this part shall be construed as granting any power to the representative of the state of Montana in his private or official capacity or to the interstate oil compact commission to prorate, allocate, regulate, or control oil or gas production or refined products thereof within the state of Montana or the markets therefor and shall not have the effect or be construed as in any manner surrendering to the federal government any rights over or in the production, sale, or transportation of oil or gas or the refined products thereof in the state of Montana; nor shall anything in this part be understood or construed to bind or obligate the state of Montana to enact any new legislation or to amend or alter any laws heretofore enacted and now in force pertaining to the oil and gas industries in Montana.

History: En. Sec. 5, Ch. 121, L. 1945; R.C.M. 1947, 60-605.

Cross-References

Separation of powers, Art. III, sec. 1, Mont. Const.

82-11-306. Expenses of representative. The representative or the assistant representative appointed by the governor of the state of Montana to the oil compact commission shall be allowed and paid his reasonable expenses while engaged in the performance of his official duties, and his expenses and all other expense incurred in connection with the interstate oil compact and the interstate oil compact commission shall be paid out of the board of oil and gas conservation revenue fund in accordance with the provisions of 82-11-135, as amended.

History: En. Sec. 6, Ch. 121, L. 1945; amd. Sec. 33, Ch. 39, L. 1977; R.C.M. 1947, 60-606.

History: En. Sec. 1, Ch. 259, L. 1955; amd. Sec. 83, Ch. 253, L. 1974; R.C.M. 1947, 60-801.

Cross-References

Underground natural gas reservoir — estates subject to eminent domain, 70-30-104.

82-10-302. Policy. (1) The underground storage of natural gas which promotes conservation thereof, which permits the building of reserves for orderly withdrawal in periods of peak demand, which makes more readily available natural gas to the domestic, commercial, and industrial consumers of this state, or which provides a better year-round market to the various gas fields serves the public interest and welfare of this state.

(2) Therefore, in the manner hereinafter provided, the board and the court may find and determine that the underground storage of natural gas as hereinbefore defined is in the public interest.

History: En. Sec. 2, Ch. 259, L. 1955; amd. Sec. 84, Ch. 253, L. 1974; R.C.M. 1947, 60-802.

82-10-303. Use of eminent domain to acquire underground reservoirs. (1) A natural gas public utility may acquire through the exercise of the right of eminent domain as provided in this part for its use for the underground storage of natural gas an underground reservoir which the board finds is suitable and in the public interest for the underground storage of natural gas, and in connection with the underground reservoir, the utility may acquire such other interests in property as may be required adequately to maintain and operate the underground reservoir facilities. The acquisition by the exercise of the right of eminent domain of underground reservoirs granted by this section is limited as follows:

(a) No sand, formation, or stratum which is producing or has produced or which is capable of producing oil is subject to appropriation under this section.

(b) No gas-bearing sand, formation, or stratum is subject to appropriation under this section, unless the recoverable volumes of native gas therein have all been produced or unless the sand, formation, or stratum has a greater value or utility as an underground reservoir for the purpose of insuring an adequate supply of natural gas for domestic, commercial, or industrial consumers of natural gas or for the conservation of natural gas than for the production of the remaining relatively small volumes of native gas as compared with the original volumes of natural gas therein. Gas, sand, formation, or stratum may not be acquired under this part when the gas in the underground reservoir is being used for the secondary recovery of oil, unless gas in necessary and required amounts is furnished to the operator of the secondary recovery operations for as long as oil is produced in paying quantities in the secondary operations for the recovery of oil at the same cost as the cost to the operator at the time of acquisition of the gas being used in the secondary operations, not exceeding, however, the quantity of the appropriated gas that remained recoverable from the sand, formation, or stratum at the time of its acquisition, if the operator was at that time entitled to the whole thereof or if the operator was at that time entitled to less than the whole thereof, then not to exceed the quantity thereof to which the operator was then entitled.

(c) Only the area of the underground sand, formation, or stratum as may reasonably be expected to be penetrated by gas displaced or injected into the underground gas storage reservoir may be appropriated.

(d) No rights or interests in existing underground gas reservoirs being used for the injection, storage, or withdrawal of natural gas owned or operated by a natural gas public utility other than the natural gas public utility seeking to acquire the same are subject to appropriation.

(2) The exercise of the right of eminent domain granted by this section shall be without prejudice to the rights of the owner of the lands or of other rights or interests therein to drill or bore into or through the underground reservoir so appropriated in a manner that complies with orders and rules of the board issued for the purpose of protecting the underground reservoir against pollution and against the escape of natural gas therefrom and shall be without prejudice to the rights of the owner of the lands or other rights or interests therein as to all other uses thereof. The additional cost of complying with those rules or orders in order to protect the storage reservoir shall be paid by the natural gas public utility.

History: En. Sec. 3, Ch. 259, L. 1955; amd. Sec. 85, Ch. 253, L. 1974; R.C.M. 1947, 60-803.

Cross-References

Eminent domain generally, Title 70, ch. 30, 31.

82-10-304. Certificate of board required prior to use of eminent domain. (1) A natural gas public utility desiring to exercise the right of eminent domain as to any property for use for underground storage of natural gas shall, as a condition precedent to the filing of its complaint in the district court, apply for and obtain from the board a certificate setting out the findings of the board:

(a) that the underground sand, stratum, or formation sought to be acquired is suitable for an underground reservoir for the storage of natural gas and that its use for such purposes is in the public interest;

(b) the amount of native gas, if any, remaining therein and the portion thereof recoverable; and

(c) that the applicant has in good faith sought to acquire the rights sought under this part.

(2) The board may not issue the certificate until after a public hearing is had on the application, pursuant to notice given to all persons known to have an interest in the property proposed to be acquired in the manner provided by the laws of the state for service of process in a civil action.

History: En. Sec. 4, Ch. 259, L. 1955; amd. Sec. 86, Ch. 253, L. 1974; R.C.M. 1947, 60-804.

Cross-References

Service of process, Rule 4D, M.R.Civ.P. (see Title 25, ch. 20).

Rules incorporated into statutes, Rule 81(c), M.R.Civ.P. (see Title 25, ch. 20).

Contents of complaint for eminent domain, 70-30-203.

82-10-305. Proceedings. Having first obtained a certificate from the board, a natural gas public utility desiring to exercise the right of eminent

domain for the purpose of acquiring property for the underground storage of natural gas shall do so in the manner provided in this section. The natural gas public utility shall present to the district court of the county wherein the land is situated a complaint setting forth the purpose for which the property is sought to be acquired, a description of the property sought to be appropriated, and the names of the owners thereof as shown by the records of the county. The plaintiff shall file the certificate of the board as a part of its complaint, and no order by the court granting the complaint shall be entered without the certificate being filed therewith. Subsequent proceedings shall follow the procedure provided by law in the exercise of the rights of eminent domain, Title 70, chapters 30 and 31.

History: En. Sec. 5, Ch. 259, L. 1955; amd. Sec. 87, Ch. 253, L. 1974; R.C.M. 1947, 60-805.

Cross-References

Rules incorporated into statutes, Rule 81(c), M.R.Civ.P. (see Title 25, ch. 20).

Regulation of public utilities, Title 69, ch. 3.

Eminent domain procedure — contents of complaint, 70-30-203.

Part 4

Abandoned Oil and Gas Wells — Reclamation

82-10-401. Notice required before abandonment of well — owner's option. No person shall plug and abandon an oil or gas well located within this state without first giving reasonable notice of his intention to do so to the surface owner of record of the land on which said well is located. Upon receipt of notice to plug and abandon, the surface owner may, by written notice given within 15 days thereafter, direct that the well pipe for said well shall be buried to a depth of not less than 3 feet. The board of oil and gas conservation shall adopt regulations to implement this section.

History: En. 60-901 by Sec. 1, Ch. 161, L. 1974; R.C.M. 1974, 60-901.

Cross-References

Adoption and publication of rules, Title 2, ch. 4, part 3.

Geophysical exploration — surety bond — restoration of surface, 82-1-104.

82-10-402. Inventory of abandoned wells and seismic operations — reclamation procedures. (1) The board of oil and gas conservation shall maintain a record of the abandoned oil or gas wells, injection wells, sumps, and seismographic shot holes in the state that disturb land, water, or wildlife resources to a degree not in compliance with plugging, pollution prevention, and reclamation rules of the board. This record must be compiled from petitions or written statements from the owners of surface rights or lessees.

(2) The board shall check the record compiled under subsection (1) against its drilling records and shall determine and list the name of the person who abandoned the well, sump, or hole, whenever this information is available. When a person so listed applies to the board for a new drilling permit, the board may issue the permit only after approving a plan by which the applicant

will reclaim the land disturbed by his abandoned wells, sumps, or holes within 3 years.

(3) When the person who abandoned a well, sump, or hole cannot be identified or located or when the person does not have sufficient financial resources to pay for complete reclamation, the board may then reclaim the disturbed land with funds available from the oil and gas production damage mitigation account in a manner consistent with the requirements for the use of the account provided in 82-11-161 and 82-11-164.

(4) As used in subsection (3), "well" includes a class II injection well, as defined in 82-11-101, for which a drilling permit or a permit authorizing use of a well for that purpose was granted by the board after June 30, 1989, and water source wells used in connection with enhanced recovery projects.

History: En. 60-149 by Sec. 3, Ch. 260, L. 1974; R.C.M. 1947, 60-149; amd. Sec. 3, Ch. 530, L. 1989.

Cross-References

Seismographic permit required, 82-1-105.

Part 5

Surface Owner Damage and Disruption Compensation

82-10-501. Purpose — legislative findings. (1) The purpose of this part is to provide for the protection of surface owners of land underlaid with oil and gas reserves while allowing for the necessary development of those reserves.

(2) To carry out the purpose described in subsection (1), the legislature finds that:

(a) it is necessary to protect the economic well-being of individuals engaged in agricultural production;

(b) exploration for and development of oil and gas reserves in this state, while necessary, interferes with the use, agricultural or otherwise, of the surface of certain land; and

(c) owners of the surface estate should be justly compensated for use of their property and interference with the use of their property due to oil and gas development.

History: En. Sec. 1, Ch. 199, L. 1981.

Cross-References

Availability of remedies, Title 27, ch. 1.

82-10-502. Definitions. As used in this part, the following definitions apply:

(1) "Agricultural production" means the production of any growing grass, crops, or trees attached to the surface of the land or farm animals with commercial value.

(2) "Oil and gas operations" means the exploration for or drilling of an oil and gas well that requires entry upon the surface estate and is begun

subsequent to June 1, 1981, and the production operations directly related to the exploration or drilling.

(3) "Oil and gas developer or operator" means the person who acquires the oil and gas lease for the purpose of extracting oil and gas.

(4) "Oil and gas estate" means an estate in or ownership of all or part of the oil and gas underlying a specified tract of land.

(5) "Surface owner" means the person who holds record title to or has a purchaser's interest in the surface of the land.

History: En. Sec. 2, Ch. 199, L. 1981.

82-10-503. Notice of drilling operations. In addition to the requirements for geophysical exploration activities governed by Title 82, chapter 1, part 1, the oil and gas developer or operator shall give the surface owner and any purchaser under contract for deed written notice of the drilling operations that he plans to undertake. This notice shall be given to the record surface owner and any purchaser under contract for deed at their addresses as shown by the records of the county clerk and recorder at the time the notice is given. This notice shall sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of drilling operations on the surface owner's use of the property. The notice shall be given no more than 90 days and no fewer than 10 days before commencement of any activity on the land surface.

History: En. Sec. 3, Ch. 199, L. 1981; amd. Sec. 27, Ch. 526, L. 1983; amd. Sec. 1, Ch. 497, L. 1985.

Cross-References

Notice of intention to explore, 82-1-103.

Notice of intention to drill or conduct seismic operations, 82-11-122.

82-10-504. Surface damage and disruption payments — penalty for late payment. (1) (a) The oil and gas developer or operator shall pay the surface owner a sum of money or other compensation equal to the amount of damages sustained by the surface owner for loss of agricultural production and income, lost land value, and lost value of improvements caused by drilling operations.

(b) The amount of damages may be determined by any formula mutually agreeable between the surface owner and the oil and gas developer or operator. When determining damages, consideration shall be given to the period of time during which the loss occurs.

(c) The surface owner may elect to receive annual damage payments over a period of time, except that the surface owner shall be compensated by a single sum payment for harm caused by exploration only.

(d) The payments contemplated by this subsection (1) may only cover land directly affected by drilling operations and production. Payments under this subsection (1) are intended to compensate the surface owner for damage and disruption; no person may reserve or assign that compensation apart from the surface estate except to a tenant of the surface estate.

(2) An oil and gas developer or operator who fails to timely pay an installment under any annual damage agreement negotiated with a surface owner is liable for payment to the surface owner of twice the amount of the

unpaid installment if the installment payment is not paid within 60 days of receipt of notice of failure to pay from the surface owner.

History: En. Sec. 4, Ch. 199, L. 1981; amd. Sec. 2, Ch. 497, L. 1985; (2)En. Sec. 3, Ch. 497, L. 1985.

Cross-References

Measure of damages, Title 27, ch. 1, part 3.

82-10-505. Liability for damages to property. The oil and gas developer or operator is responsible for all damages to property, real or personal, resulting from the lack of ordinary care by the oil and gas developer or operator. The oil and gas developer or operator is responsible for damages to property, real or personal, caused by drilling operations and production.

History: En. Sec. 5, Ch. 199, L. 1981.

82-10-506. Notification of injury. To receive compensation under this part, a surface owner shall give written notice to the oil and gas developer or operator of the damages sustained by the surface owner within 2 years after the injury occurs or would become apparent to a reasonable man.

History: En. Sec. 6, Ch. 199, L. 1981.

82-10-507. Agreement — offer of settlement. Unless both parties provide otherwise by written agreement, within 60 days after the oil and gas developer or operator receives notice of damages pursuant to 82-10-506, he shall make a written offer of settlement to the person seeking compensation for the damages. The surface owner seeking compensation may accept or reject any offer.

History: En. Sec. 7, Ch. 199, L. 1981.

82-10-508. Rejection — legal action. If the person seeking compensation receives a written rejection, rejects the offer of the oil and gas developer or operator, or receives no reply, that person may bring an action for compensation in the district court of the county in which the damage was sustained.

History: En. Sec. 8, Ch. 199, L. 1981.

82-10-509 and 82-10-510 reserved.

82-10-511. Remedies cumulative. The remedies provided by this part do not preclude any person from seeking other remedies allowed by law.

History: En. Sec. 9, Ch. 199, L. 1981.

SECTION F

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

PROPOSED AMENDMENTS TO THE RULES OF THE MONTANA BOARD OF OIL AND GAS CONSERVATION

NOTICE OF RULEMAKING DATED AUGUST 31, 1992

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

BEFORE THE BOARD OF OIL
AND GAS CONSERVATION
OF THE STATE OF MONTANA

IN THE MATTER OF NEW RULES AND THE AMENDMENT OF RULES PERTAINING TO DEFINITIONS, THE BONDING OF OIL AND GAS WELLS, REPORTS, WELL PLUGGING REQUIREMENTS, AND THE REFERRAL OF ADMINISTRATIVE MATTERS.	)))))	NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENTS TO RULES 36.22.302, 36.22.1242, AND 36.22.1308, AND NEW RULES I AND II.

TO: All Interested Persons:

1. On October 8, 1992, at 9:00 a.m a public hearing will be held at the Billings Petroleum Club, Sheraton Hotel, corner of 27th Street and 1st Avenue North, Billings, Montana, to consider new Rule I and Rule II, and amendments to rules 36.22.302, 36.22.1242, and 36.22.1308.

2. The proposed new rules and proposed amendments to rules add to or amend present rules found in the Administrative Rules of Montana beginning on page 36-395.

3. The proposed new rules and rules as proposed to be amended provide as follows:

RULE I REFERRAL OF ADMINISTRATIVE DECISIONS (1) The Board administrator may refer any administrative action or decision to the board for consideration.

(2) Administrative actions or decisions referred by the board administrator to the board for consideration must be presented in the form of a petition, and are subject to the notice and hearing requirements of Section 82-11-141, MCA.
AUTH: Sec. 82-11-111, 82-11-115, MCA IMP: Sec. 82-11-115, 82-11-141, MCA

36.22.302 DEFINITIONS Unless the context otherwise requires, the words defined shall have the following meaning when found in these rules:

(1) through (21) remain the same.

(22) "Degrade" means that as a result of any source discharging pollutants to groundwater or surface water, the concentration~~, outside of applicable mixing zones as defined in ARM 16.20.1001 and ARM 16.20.1010~~, of a pollutant for which maximum contaminant levels are established in subsection (4) of ARM 16.20.1003 has become worse, or that the concentration of other pollutants~~, outside of mixing zones~~, has become worse and will adversely affect existing beneficial uses or beneficial uses reasonably expected to occur in the future.

(23) through (80) remain the same.
AUTH: Sec. 82-11-111, MCA IMP: Sec. 82-11-101 through 82-11-201, MCA

RULE II REPORT OF WELL STATUS CHANGE The owner or operator of any oil, gas, service, or injection well must report the change in status of such well from active to inactive or from producing or non-producing. Owners or operators must

report the return of a well to active or producing status if such well was idle for six (6) or more consecutive months. If the owner or operator expects that the well will be returned to an active or producing status within six (6) months of the date idled, filing of the report may be deferred until the end of such six (6) month period, and the report need not be filed if the well is returned to service during that period. Such reports are due within thirty (30) days of the date of status change or within thirty (30) days after the end of the deferred reporting period, and must be submitted on board Form No. 2.
AUTH: Sec. 82-11-111, MCA IMP: Sec. 82-11-111, 82-11-121, 82-11-123, and 82-11-124, MCA

36.22.1242 REPORTS BY PRODUCERS - TAX REPORT - TAX RATE (1) Each owner or operator ~~or producer~~ of an oil or gas well, or any other well (except an injection well reported on Form No. 5), shall file or cause to filed with the board on or before the last day of each month ~~succeeding the month in which the producing or taking occurs~~ following the month being reported a report on Form No. 6 containing all information required by said form and accurately reporting the status of each well thereon as of the last day of the month reported.

The remaining section of this rule will remain the same.
AUTH: Sec. 82-11-111, MCA IMP: Sec. 82-11-123 and 82-11-131, MCA

36.22.1308 PLUGGING AND RESTORATION BOND (1) ~~The board,~~ except as ~~hereinafter~~ otherwise provided ~~in these rules,~~ ~~shall require from any owner who proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state a good and sufficient bond on either Form No. 2 or Form No. 14 in the sum of $5,000.00 where one well is to be drilled to any depth or acquired payable to the State of Montana, and must be conditioned for the performance of the duty to properly plug each dry or abandoned well and to restore the surface of the location to its original contours insofar as such restoration is practicable, unless the owner of surface requests otherwise and executes a release to that effect.~~ the following penal bonds are required for wells within the board's jurisdiction:

(a) The owner or operator of a single well to be drilled, or of a single existing oil, gas, or Class II injection well to be acquired, must provide a one well penal bond:

(i) in the sum of $5,000, where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is less than 3,500 feet; or

(ii) in the sum of $10,000, where the permitted total depth of a drilling well, or the actual, or plugged-back, total depth of an existing well, is 3,501 feet or more.

(b) The owner or operator of multiple wells to be drilled, of existing wells to be acquired, or any combination thereof, must provide a multiple well penal bond in the sum of $25,000.

(2) ~~It is further provided that where the owner is to drill or acquire more than one well the board shall require from~~

~~such owner a good and sufficient bond on either Form No. 3 or Form No. 14, in the sum of $10,000 payable to the State of Montana and conditioned as provided for above. Upon acceptance and approval by the board, such bond shall be considered as being in compliance with the foregoing provisions. The board shall require an increase by appropriate rider of any bond from $5,000.00 to $10,000.00 or from $10,000.00 to $20,000.00 when in the opinion of the board the factual situation warrants such an increase in order for any owner to be in compliance with this rule.~~

All bonds must be executed on board form no. 3 or board form no. 14, must be payable to the State of Montana, and must be conditioned for the performance of the duty to properly plug each dry or abandoned well, and to restore the surface of the location as required by board rules.

~~(3) Said bond shall remain in full force and effect until:~~

~~(a) The plugging and restoration of the surface has been approved by the board; or~~

~~(b) A new bond is filed by a successor in interest and approved by the board; or~~

~~(c) Application for release of well from bond on Form No. 21 is filed and the bond is released by the board.~~

The board may require an increase by appropriate rider of any bond from $5,000.00 to $10,000.00 or from $10,000.00 to $20,000.00 for a single well bond, and from $25,000 to $50,000 for a multiple well bond, when in the opinion of the board the factual situation warrants such an increase in order for any owner or operator to be in compliance with this rule. In addition to, or in lieu of, an increase in the bond amount as provided above, the board may limit the number of wells that may be covered by any multiple well bond.

~~(4) Transfer of property does not in itself release the bond. A notice of intent to change operator shall be filed on Form No. 20 by the new operator of any drilling or completed well. Said notice shall include all information required thereon and contain the endorsement of both the transferor and the transferee. The transfer is not effective until approved by the board.~~

No new or additional wells shall be added or substituted to any bond existing prior to the effective date of this rule.

~~(5) Where the owner of the surface of the land upon which one or more non-commercial wells have been drilled acquires the well for domestic purposes, the bond provided by the person who drilled the well will be released if said surface owner furnishes a property bond in the amount of $10,000 for a single well or $20,000 for more than one well on Form No. 18.~~

The bond referred to in this rule must be in one of the following forms:

(a) a good and sufficient surety bond secured from a bonding company licensed to do business in the State of Montana; or

(b) a federally insured certificate of deposit issued and held by any bank or savings and loan association licensed to do business and located in the State of Montana.

(6) A well must remain covered by a bond, and such bond must remain in full force and effect until:

(a) the plugging and restoration of the surface of the well is approved by the board;

(b) a new bond is filed by a successor in interest and such bond is approved by the board; or

(c) an application is made by the operator for the release of a producing well from a bond on Form No. 21, and such application is approved by the board.

(7) A notice of intent to change operator must be filed on Form No. 20 by a proposed new owner or operator of a well within thirty (30) days of the acquisition of the well. Said notice shall include all information required thereon and must contain the endorsement of both the transferor and the transferee. The board administrator may delay or deny any change of operator request if he determines that either the transferor or the transferee is not in substantial compliance with the board's statutes, rules, or orders. The board may require an increase in any bond up to the maximum amount specified in subsection (3) of this rule as a condition of approval for any change of operator request. The transferor of a well is released from the responsibility of plugging and restoring the surface of the well under board rules after the transfer is approved by the board.

(8) Where the owner of the surface of the land upon which one or more non-commercial wells have been drilled wishes to acquire a well for domestic purposes, the bond provided by the person who drilled or operated the well will be released if the surface of the location is restored as required by board rules, and if said surface owner furnishes:

(a) proof of ownership of the surface of the land on which the well is located; and,

(b) for actual beneficial water uses of less than 100 gallons per minute, a copy of the notice of completion of groundwater development (Water Rights Bureau Form 602) filed with the Department of Natural Resources and Conservation (DNRC); or

(c) for actual beneficial water uses of more than 100 gallons per minute, a copy of Form 602 as required in (b) above, and a copy of the beneficial water use permit received from the DNRC; or

(d) for a domestic gas well, a written and signed inspection report from one of the board's field inspectors stating that the well is presently being beneficially used as a source of domestic natural gas; and

(e) for a domestic gas well, a federally insured certificate of deposit in the amount of $10,000.

(9) A domestic well must be plugged, abandoned, and restored in accordance with board rules within ninety (90) days after the well ceases to be used for domestic purposes.

AUTH: Sec. 82-11-111, MCA IMP: Sec. 82-11-123, MCA

4. The reason for new Rule I is to provide a mechanism for the board administrator to refer administrative decisions to the full board.

The reason for the amendment to ARM 36.22.302 is to delete an erroneous reference to "mixing zones" in the definition of "degrade."

The reason for new Rule II and the amendment to ARM 36.22.1242 is to provide a mechanism for reporting the status of wells to the board.

The reason for the amendments to ARM 36.22.1308 is to increase the amount of the plugging and restoration bond required for oil and gas well operators in the State of Montana. This is necessary to reflect the increased cost of plugging and reclaiming a well.

5. Interested persons may present their data, views, or arguments either orally or in writing at the hearing. Written data, views, or arguments may also be submitted to Timothy C. Fox, 2535 St. Johns Avenue, Billings, Montana 59102, by no later than 5:00 p.m. on October 8, 1992.

6. Warren H. Ross, Chairman of the Montana Board of Oil and Gas Conservation, has been designated to preside over and conduct the hearing.

Donald D. MacIntyre
Chief Legal Counsel

Dee Rickman, Executive Secretary
Board of Oil and Gas Conservation

Certified to the Secretary of State, August 31, 1992

SECTION G

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

MONTANA BOARD OF OIL AND GAS CONSERVATION

GENERAL RULES AND REGULATIONS RELATING TO OIL AND GAS

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
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TECHNICAL AND
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CHAPTER 22

BOARD OF OIL AND GAS CONSERVATION

Sub-Chapter 1

Organizational Rule

Rule 36.22.101 Organizational Rule

Sub-Chapter 2

Overall Procedural Rules

Rule 36.22.201 Procedural Rules
36.22.202 Environmental Policy Act Procedural Rules

Sub-Chapter 3

General Provisions

Rule 36.22.301 Effective Scope of Rules
36.22.302 Definitions
36.22.303 Classification of Wildcat or Exploratory Wells
36.22.304 Inspection of Record, Properties, and Wells
36.22.305 Naming of Pools
36.22.306 Organization of Reports
36.22.307 Adoption of Forms
36.22.308 Seal of Board

Sub-Chapter 4

Board Employees

Rule 36.22.401 Office and Duties of Petroleum Engineer
36.22.402 Office and Duties of Administrator
36.22.403 Office and Duties of Geologist

Sub-Chapter 5

Seismic Exploration Activities

Rule 36.22.501 Shot Location Limitations
36.22.502 Plugging and Abandonment
36.22.503 Notification
36.22.504 Identification

Sub-Chapter 6

Permit to Drill

Rule 36.22.601 Notice of Intention and Permit to Drill
36.22.602 Notice of Intention to Drill and Application for Permit to Drill
36.22.603 Permit Fees
36.22.604 Permit Issuance - Expiration - Extension
36.22.605 Transfer of Permits
36.22.606 Notice and Eligibility Statement for Drilling or Recompletion in Unit Operations
36.22.607 Drilling Permits Pending Special Field Rules

Sub-Chapter 7
Well Spacing Units

Rule 36.22.701 Spacing Units - General
36.22.702 Spacing of Wells
36.22.703 Horizontal Wells

Sub-Chapters 8 and 9 Reserved

Sub-Chapter 10
Drilling

Rule 36.22.1001 Rotary Drilling Procedure
36.22.1002 Cable Drilling Procedure
36.22.1003 Vertical Drilling Required Deviation
36.22.1004 Dual Completion of Wells
36.22.1005 Drilling Waste Disposal and Surface Restoration
Rules 36.22.1006 through 36.22.1010 Reserved
36.22.1011 Well Completion and Recompletion Reports
36.22.1012 Samples of Cores and Cuttings Impoundment
36.22.1013 Filing of Completion Reports, Well Logs, Analyses, Reports, and Surveys
36.22.1014 Blowout Prevention and Well Control Equipment

Sub-Chapter 11
Safety

Rule 36.22.1101 Fire Hazard Prevention
36.22.1102 Fire Walls Required
36.22.1103 Notification and Report of Emergencies and Undesirable Incidents
36.22.1104 Control and Cleanup
36.22.1105 Solid Waste

Sub-Chapter 12
Production

Rule 36.22.1201 Surface Equipment
36.22.1202 Identification
36.22.1203 Chokes Required
36.22.1204 Separators Required
36.22.1205 Vacuum Pumps Prohibited
36.22.1206 Tubing Required
36.22.1207 Earthen Pits and Open Vessels
36.22.1208 Producing from Different Pools Through the Same Casing
Rules 36.22.1209 through 36.22.1212 Reserved
36.22.1213 Reservoir or Pool Surveys
36.22.1214 Subsurface Pressure Tests
36.22.1215 Stabilized Production Test
36.22.1216 Gas Oil Ratio Tests
36.22.1217 Water Production Report
36.22.1218 Gas to be Metered
36.22.1219 Gas Waste Prohibited

36.22.1220 Associated Gas Flaring Limitation - Application to Exceed - Board Review and Action
36.22.1221 Burning of Waste Gas Required
36.22.1222 Hydrogen Sulfide Gas
36.22.1223 Fencing, Screening, and Netting of Pits
36.22.1226 Disposal of Water
36.22.1227 Earthen Pits and Ponds
36.22.1228 Disposal by Injection
36.22.1229 Water Injection and Gas Repressuring
36.22.1230 Application Contents and Requirements
36.22.1231 Notice of Application Objections
36.22.1232 Board Authorization
36.22.1233 Notice of Commencement or Discontinuance - Plugging of Abandoned Wells
36.22.1234 Record Required
Rules 36.22.1235 through 36.22.1240 Reserved
36.22.1241 Service Company Reports
36.22.1242 Reports by Producers
36.22.1243 Reports from Transporters, Refiners, and Gasoline or Extraction Plants
36.22.1244 Producer's Certificate of Compliance
36.22.1245 Illegal Production

Sub-Chapter 13

Abandonment, Plugging, and Restoration

Rule 36.22.1301 Notice and Approval of Intention to Abandon Report
36.22.1302 Notice of Abandonment
36.22.1303 Well Plugging Requirement
36.22.1304 Plugging Methods and Procedure
36.22.1305 Exception for Fresh Water Wells
36.22.1306 Approval for Pulling Casing and Reentering Wells
36.22.1307 Restoration of Surface
36.22.1308 Plugging and Restoration Bond
36.22.1309 Subsequent Report of Abandonment

Sub-Chapters 14 and 15 Reserved

Sub-Chapter 16

Regulations to Implement the Natural Gas Policy Act

Rule 36.22.1601 Who May Apply for Determination
36.22.1602 Application Requirements and Contents
36.22.1603 Documents and Technical Data Supporting Application
36.22.1604 Docket Number
36.22.1605 List of Applications Public Access
36.22.1606 Objections to Applications
36.22.1607 Deadlines for Action Determinations
36.22.1608 Deficient Applications
36.22.1609 Board Action on Applications
36.22.1610 Special Findings and Determinations New Onshore Production Wells Under Section 103
36.22.1611 Special Findings and Determinations Stripper Well Production

Sub-Chapter 1
Organizational Rule

36.22.101 ORGANIZATIONAL RULE The Board of Oil and Gas Conservation organization is described in ARM 36.1.101. (History: Sec. 2-4-201, MCA; IMP, Sec. 2-4-201, MCA; Eff. 12/31/72.)

Sub-Chapter 2
Overall Procedural Rules

36.22.201 PROCEDURAL RULES The Board of Oil and Gas Conservation adopts the procedural rules as stated in ARM 36.2.101. (History: Sec. 2-4-201, MCA; IMP, Sec. 2-4-201 and 2-4-202, MCA; Eff. 12/31/72.)

36.22.202 ENVIRONMENTAL POLICY ACT PROCEDURAL RULES (1) The board of oil and gas conservation adopts the procedural rules as stated in ARM 36.2.521 through ARM 36.2.543 and ARM 36.2.605 through 36.2.611, except the terms "the agency", "the department", and "the board" mean the board of oil and gas conservation." (History: Sec. 2-3-103, 2-4-201, MCA; IMP, Sec. 2-3-104, MCA; NEW, 1990 MAR p. 531, Eff. 3/16/90.)

Sub-Chapter 3
General Provisions

36.22.301 EFFECTIVE SCOPE OF RULES General rules shall be statewide in application unless otherwise specifically stated. Special rules and orders will be issued when required and shall prevail as against general rules if in conflict therewith. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-141, MCA; Eff. 12/31/72.)

36.22.302 DEFINITIONS Unless the context otherwise requires, the words defined shall have the following meaning when found in these rules:

(1) "Acidizing" means introduction of acid into a formation containing oil or gas to increase the producing ability of a well by dissolving a part of the reservoir rock or to clean the face of a formation.

(2) "Aquifer" means a stratum or zone of rock which is sufficiently permeable to conduct ground water and to yield economically significant quantities of water.

(3) "Artificial lift" means any method by which oil or water is removed from a well bore by use of energy transmitted from the surface through the same well bore.

(4) "Barrel" means a quantity equal to 42 United States gallons at a temperature of 60 degrees Fahrenheit and at atmospheric pressure.

(5) "Blow-out" means an uncontrolled escape of drilling fluid, water, oil, or gas from a well.

(6) "Blow-out preventer" means an effective casinghead control equipped with special gates or rams which can be closed around the drill pipe or which completely closes the top of the casing.

(7) "Board" means the board of oil and gas conservation provided for in 2-15-3303, MCA.

(8) "Bottom hole pressure" means the pressure in pounds per square inch determined at the face of the producing horizon by means of a pressure recording instrument adopted and recognized by the oil and gas industry. In the case of pumping or dually completed wells, a sonic device may be used. In the case of gas wells or wells having no liquid in the well bore, it means the pressure as calculated by adding

the pressure at the surface of the ground to the calculated weight of the column of gas from the surface to the bottom of the hole.

(9) "Casing pressure" means the pressure existing at the wellhead in the annulus between the casing and tubing.

(10) "Casinghead gas" means any gas, vapor, or both gas and vapor indigenous to an oil stratum and produced from the stratum with oil.

(11) "Combination well" means a well productive of both oil and gas in commercial quantities from the same common source of supply.

(12) "Completion date":

(a) of an oil well means the date when the first oil is produced through wellhead equipment into lease tanks from the ultimate producing interval after casing has been run;

(b) of a gas well means the date when the well is capable of producing gas through wellhead equipment from the ultimate producing interval after casing has been run; and

(c) of a dry hole means the date the top of the surface casing is sealed with a cement plug, steel cap or plate, or other approved method.

(13) "Completion report" means board report Form No. 4 which is to be submitted to the board in triplicate for all wells drilled as specified in ARM 36.22.1013 and ARM 36.22.1011.

(14) "Common source of supply" is synonymous with pool.

(15) "Condensate" means the liquid produced by the condensation of a vapor or gas either after it leaves the reservoir or while still in the reservoir. Condensate is often called distillate, drips, white oil, etc.

(16) "Controlled gas field" means any common source of supply of natural gas discovered after July 1, 1951, or any field discovered prior to July 1, 1951, provided any pool therein has been discovered after July 1, 1951, unless otherwise designated by the board.

(17) "Controlled oil field" means any common source of supply of crude oil discovered after July 1, 1951, or any field discovered prior to July 1, 1951, provided any pool therein has been discovered after July 1, 1951, unless otherwise designated by the board.

(18)"Controlled production" means the production of oil, gas, or both oil and gas from a controlled oil or gas field, unless otherwise designated by the board.

(19) "Crude oil" means petroleum oil and other hydrocarbons, regardless of gravity, which are produced at the wellhead in liquid form by ordinary production methods and which are not the result of condensation of gas before or after it leaves the reservoir.

(20) "Cubic foot of gas" means the volume of gas contained in one cubic foot of space at a standard pressure base and a standard temperature base. The standard pressure base is 14.73 pounds per square inch absolute and the standard temperature base is 60 degrees Fahrenheit.

(21) "Day" means a period of twenty-four consecutive hours.

(22) "Degrade" means that as a result of any source discharging pollutants to groundwater or surface water, the concentration, outside of applicable mixing zones as defined in ARM 16.20.1001 and ARM 16.20.1010, of a pollutant for which maximum contaminant levels are established in subsection (4) of ARM 16.20.1003 has become worse, or that the concentration of other pollutants, outside of mixing zones, has become worse and will adversely affect existing beneficial uses or beneficial uses reasonably expected to occur in the future.

(23) "Drilling fluid" means any fluid used in the drilling of an oil or gas well to remove, hold, and carry cuttings to the surface; to cool or lubricate a drill bit; to line the bore hole; to control subsurface pressures; to support the weight of the drill pipe or casing; to protect formations; or to transmit hydraulic horsepower to the drill bit.

(24) "Dry gas" means natural gas obtained from pools that produce gas only or natural gas obtained that does not contain the heavier fractions that may easily condense under normal atmospheric conditions and that is not casinghead gas.

(25) "Earthen pit" means any indentation in the ground that is used in oil or gas exploration or production activities including, but not limited to, reserve pits, skimming pits, settling pits, produced water pits, percolation pits, evaporation pits, emergency pits, and workover pits.

(26) "Fence" means a barrier constructed of posts and wire or other materials.

(27) "Flow line":

(a) means a pipeline used to transfer crude oil, gas, and produced water from the wellhead to production treatment, separation, or storage facilities;

(b) also means a pipeline used to transfer produced water or other fluids from a production or injection facility to an injection or disposal well;

(c) does not mean a transmission pipeline.

(28) "Fracturing" means the introduction of fluid that may or may not carry in suspension a propping agent under pressure into a formation containing oil or gas for the purpose of creating cracks in said formation to serve as channels for fluids to move to or from the well bore.

(29) "Fresh water" means water containing less than 10,000 parts per million (ppm) total dissolved solids (TDS).

(30) "Freshwater-based drilling fluid" means any drilling fluid other than a salt-based drilling fluid or oil-based drilling fluid.

(31) "Gas" means all natural gases and all other fluid hydrocarbons as produced at the wellhead and not defined as oil in 82-11-101, MCA. (Section 82-11-101, MCA.)

(32) "Gas allowable" means the amount of natural gas authorized to be produced by order of the board in connection with the prevention of waste.

(33) "Gas-oil ratio" means the ratio of gas in standard cubic feet to oil in barrels produced concurrently during any stated period.

(34) "Gas injection" means the introduction of gas or air into a common source of supply in order to replenish, replace, or increase the energy of the reservoir.

(35) "Gas well" means:

(a) a well that produces natural gas only;

(b) any well capable of producing at least 10,000 standard cubic feet of gas per stock tank barrel of oil per day for any calendar month; and

(c) any well classed as a gas well by the board for any reason.

(36) "Harm to soil(s)" means a reduction in the plant productivity which existed at the site of a drilling well, idled well, shut-in well, or production facility prior to the initiation of oil and gas exploration or production activities.

(37) "Hazardous substance" means any substance defined as a hazardous or deleterious substance in 75-10-701, MCA.

(38) "Hazardous waste" means any waste defined as a hazardous waste in ARM 16.44.303.

(39) "Horizontal drainhole" means that portion of a wellbore with 70 degrees to 110 degrees deviation from the vertical and a horizontal projection within the common source of supply that exceeds 100 feet.

(40) "Horizontal drainhole end point" means the terminus of a horizontal drainhole.

(41) "Horizontal well" means:

(a) a well with one or more horizontal drainholes; and

(b) any other well classified by the board as a horizontal well.

(42) "Illegal gas" means gas that has been produced from any well or wells in violation of any law or of any rule or order of the board.

(43) "Illegal oil" means oil that has been produced from any well or wells in violation of any law or of any rule or order of the board.

(44) "Irrigated cropland" means any land that is customarily supplied with water by artificial means for growing plants.

(45) "MER" means maximum efficient rate and is the rate of production of oil, gas, and water from a well, wells, or pool which the board finds will result in the maximum ultimate recovery of oil and gas from the pool, under prudent and proper operations.

(46) "Merchantable oil" means any oil that can be sold or traded on a commercial basis. Oil sludge, tank bottoms and waste oil are not merchantable oils.

(47) "Net" means an open-meshed, twisted, knotted, knitted, or woven material used to completely cover a pit, pond, tank, or other oil or gas exploration or production facility.

(48) "Oil" means crude petroleum oil and other hydrocarbons regardless of gravity that are produced at the wellhead in liquid form by ordinary production methods and that are not the result of condensation of gas before or after it leaves the reservoir. (Section 82-11-101 (10), MCA.)

(49) "Oil allowable" means the amount of oil authorized to be produced by order of the board in connection with the prevention of waste.

(50) "Oil sludge" means a viscous, unmerchantable oil that contains mud or other impurities.

(51) "Oil well" means any well capable of producing oil in commercial quantities and that is not a gas well.

(52) "Operator" means any person who, duly authorized, is in charge of development and/or producing operations.

(53) "Owner" means the person who has the right to drill into and produce from a pool and to appropriate the oil or gas he produces from a pool for himself and others, and the term includes all persons holding that authority by or through him. (Section 82-11-101, MCA.)

(54) "Perennial watercourse" means a lake, stream, river, or other body of water that flows or retains water continuously throughout the year."

(55) "Permeability" means that property of a porous media that designates its ability to transmit fluids.

(56) "Person" means any natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind and includes any agency or instrumentality of the state or any governmental subdivision of the state. (Section 82-11-101(12), MCA.)

(57) "Porosity" means the ratio of rock pore volume to rock bulk volume expressed as a percentage.

(58) "Potential" means the actual or properly computed daily ability of a well to produce oil or gas or both.

(59) "Pressure maintenance" means the introduction of fluid or fluids into an oil or gas reservoir to retard the decline of or increase the pressure of the reservoir.

(60) "Produced fluid" means any fluid, including oil, gas, and water, originating from subsurface geologic sources.

(61) "Production facility" means any facility or site constructed or used for the purpose of producing, treating, or separating produced fluid, including but not limited to, oil, gas, injection, or disposal wells,

pumping units, flow lines, gas flares, treaters, separators, gun barrels, storage tanks, production pits and ponds, skimmer pits, and evaporation pits or ponds. A transmission pipeline is not a production facility.

(62) "Proved productive area" means that area which has been shown by development and/or geological information to be such that additional wells drilled thereon are reasonably certain to be commercially productive of oil or gas or both.

(63) "Purchaser" means any person who directly or indirectly purchases, transports, takes, or otherwise removes production to his account from a well, wells, or pool.

(64) "Reservoir pressure" means bottom hole pressure under static conditions.

(65) "Saltwater-based drilling fluid" means any drilling fluid containing sodium chloride in concentrations of more than 10,000 parts per million (ppm), or lime (calcium oxide or calcium carbonate) in concentrations of more than 40,000 ppm, or gypsum (calcium sulfate) in concentrations of more than 50,000 ppm.

(66) "Screen" means an open-meshed, twisted, knotted, knitted or woven material that is firmly attached to a fence.

(67) "Service company" means any person, other than an operator or a drilling contractor, that provides goods or services associated with oil or gas exploration and production operations.

(68) "Solid waste" means any waste defined as a solid waste under 75-10-103, MCA.

(69) "Spacing unit" means the area that can be efficiently drained by one well.

(70) "Standard conditions of temperature and pressure" means 14.73 pounds per square inch absolute and 60 degrees Fahrenheit.

(71) "Stratigraphic well or core hole" means a well drilled for stratigraphic information only.

(72) "Stripper gas well" means a gas well that produces an average of 60 thousand standard cubic feet (MCF) or less of gas per day for a calendar month.

(73) "Stripper oil well" means an oil well that produces less than an average of 10 barrels of oil per day for a calendar month.

(74) "Tank bottoms" means the unmerchantable oil, basic sediment, and water in oil production storage tanks, separators, and other production facilities and receptacles.

(75) "Transmission pipeline" means a pipeline used to gather and transfer marketable crude oil or natural gas from production treatment, separation, and storage facilities. A flow line is not a transmission pipeline.

(76) "Tubing pressure" means the pressure existing in the tubing at the wellhead.

(77) "Water injection or water flooding" means the injection of water into a pool through one or several wells to achieve displacement of the oil from the pool.

(78) "Waste":

(a) means physical waste, as the term is generally understood in the oil and gas industry;

(b) means the inefficient, excessive, or improper use of, or the unnecessary dissipation of reservoir energy;

(c) means the location, spacing, drilling, equipping, operating, or producing of any oil or gas well or wells in a manner that causes or tends to cause reduction in the quantity of oil or gas ultimately recoverable from a pool under prudent and proper operations or that causes or tends to cause unnecessary or excessive surface loss or destruction of oil or gas; and

(d) means the inefficient storing of oil or gas; but

(e) does not mean the production of oil or gas from any pool or by any well to the full extent that such well or pool can be produced in accordance with methods designed to result in maximum ultimate

recovery, as determined by the board. (Section 82-11-101(18), MCA.)

(79) "Waste oil" means discarded or unmerchantable oil.

(80) "Well logs" means electrical, radiation, sonic, or other routine logs run by mechanical means in a well and all other logs, surveys, analyses, and reports run or made.

(81) "Well, wildcat or exploratory":

(a) means any well drilled for oil or gas outside of a delineated field;

(b) means a well drilled to a stratum other than one then productive within a delineated field; but

(c) does not mean a stratigraphic well or core hole. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-111, MCA; Eff 12/31/72; AMD 1977 MAR P. 549, Eff. 9/24/77; AMD, 1982 MAR p. 1398; Eff 7/16/82; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.303 CLASSIFICATION OF WILDCAT OR EXPLORATORY WELLS

(1) If a test for fluid productivity is made in a stratigraphic well or core hole, the well must be reclassified as "wildcat or exploratory" and is subject to all the rules of a well drilled for oil or gas.

(2) Wells drilled in a delineated field to known productive horizons cannot be classified as "stratigraphic." (History: Sec.82-11-111, MCA; IMP, Sec. 82-11-111, MCA; Eff. 12/31/72; AMD, 1977 MAR p. 549, Eff. 9/24/77.)

36.22.304 INSPECTION OF RECORDS, PROPERTIES, AND WELLS

(1) The Petroleum Engineer and his authorized agents shall have access to all factual well records.

(2) The Petroleum Engineer and his authorized agents shall have the right at all reasonable times to go upon and inspect any oil and gas properties and wells for the purpose of making any investigation or tests to ascertain whether the provisions of Title 82, Chapter 11, Parts 1 and 2, these rules, or any special rules or orders are being complied with and shall report any violation thereof to the board.

(3) All owners, drilling contractors, drillers, service companies, and other persons engaged in drilling or servicing wells, shall permit the Petroleum Engineer or authorized agents at his or their risk in the absence of negligence on the part of the owner to come upon any lease, property, or well operated or controlled by them to inspect the records and operation of such wells and to have access at all times to all records of wells. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-111, MCA; Eff. 12/21/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.305 NAMING OF POOLS All oil and gas pools discovered in the state subsequent to January 1, 1954, shall be named by the board. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-111, MCA; Eff. 12/31/72.)

36.22.306 ORGANIZATION REPORTS (1) On or before January 31, 1954, every person acting as principal or as agent for another who is independently engaged in oil and gas operations in the State shall file under oath with the board on Form No. 1 a statement giving the following information:

(a) the name under which such business is being operated or conducted;

(b) the name and post office address of such person and the business or businesses in which he is engaged;

(c) the plan or organization and, in case of a corporation, the law under which it is chartered; and

(d) the post office addresses of any persons acting as trustees together with the names of the manager, agent, or executive thereof, and the names and post office addresses of any officers thereof.

(2) Immediately after any change occurs as to facts stated in the report filed as required by subsection (1), a supplementary report under oath shall be filed with the board with respect to such change. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122 and 82-11-123, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.307 ADOPTION OF FORMS The forms hereinafter listed are hereby adopted and made a part of these rules for all purposes, and the same must be used as herein directed in giving notice and in making reports and requests to the board. Copies of printed forms will be supplied by the board on request. Address requests for forms to: Board of Oil & Gas Conservation, 1520 East Sixth Avenue, Helena, Montana 59620-2301.

(1)	Form No. 1	Organization Report
(2)	Form No. 2	Sundry Notice and Report of Wells
(3)	Form No. 3	Bond
(4)	Form No. 4	Completion Report
(5)	Form No. 4A	Continuation Sheet Form 4
(6)	Form No. 5	Report of Subsurface Injections
(7)	Form No. 6	Report of Production
(8)	Form No. 7	Transportation Agency's Monthly Report of Receipts and Disposition of Crude Oil
(9)	Form No. 8	Refiner's Monthly Report of Receipts and Disposition of Crude Oil
(10)	Form No. 9	Monthly Gas Report
(11)	Form No. 9A	Continuation Sheet Form 9
(12)	Form No. 10	Gasoline or other Extraction Plant
(13)	Form No. 10A	Continuation Sheet Form 10
(14)	Form No. 11	Reservoir Survey Report and Gas-Oil Ratio
(15)	Form No. 13	Producers Certificate of Compliance and Authorization to Transport Oil and Gas from Lease
(16)	Form No. 14	Certificate of Deposit Cash Bond
(17)	Form No. 15A	N.G.P.A. Application for New Natural Gas Determination
(18)	Form No. 15B	N.G.P.A. Application for New Onshore Production Well Determination
(19)	Form No. 15C	N.G.P.A. Application for Stripper Well Natural Gas Determination
(20)	Form No. 16	Objection to N.G.P.A. Application
(21)	Form No. 17	Notice of Classification Determination
(22)	Form No. 18	Domestic Well Bond and Lien
(23)	Form No. 19	Release Agreement
(24)	Form No. 20	Notice of Intent to Change Operator
(25)	Form No. 21	Application for Release of Well from Bond
(26)	Form No. 22	Application for Permit (Drill, Deepen or Re-Enter)
(27)	Form No. 23	Application for Permit (Earthen Pit or Pond)

(History: Sec. 82-11-111, MCA; IMP, Sec. 2-4-201; Eff. 12/31/72; AMD, 1977 MAR p. 549; Eff. 9/4/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1984 MAR p. 931, Eff. 6/15/84 AMD, 1990 MAR. p. 305, Eff. 2/9/90; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.308 SEAL OF BOARD (IS HEREBY REPEALED) (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-111, MCA; Eff. 12/31/72; REP, 1982 MAR p. 1398, Eff. 7/16/82.)

Sub-Chapter 4
Board Employees

36.22.401 OFFICE AND DUTIES OF PETROLEUM ENGINEER (IS HEREBY REPEALED) (History: Sec. 82-11-111, MCA; IMP, Sec. 2-15-3303, MCA; Eff. 12/31/72; REP, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.402 OFFICE AND DUTIES OF ADMINISTRATOR (IS HEREBY REPEALED) (History: Sec. 82-11-111, MCA; IMP, Sec. 2-15-3303, MCA; Eff. 12/31/72; REP, 1982 MAR p. 1398, Eff 7/16/82.)

36.22.403 OFFICE AND DUTIES OF GEOLOGIST (IS HEREBY REPEALED) (History: Sec. 82-11-111, MCA; IMP, Sec. 2-15-3303, MCA; Eff. 12/31/72; REP, 1982 MAR p. 1398, Eff 7/16/82.)

Sub-Chapter 5
Seismic Exploration Activities

36.22.501 SHOT LOCATION LIMITATIONS No vibroseis shall be done closer than 330 feet, or seismic shot hole drilled or surface charge set closer than 1320 feet (1/4 mile) to any building, structure, water well, or spring; nor closer than 660 feet (1/8 mile) to any reservoir dam without written permission of the surface owner. (History: Sec. 82-1-104, MCA; IMP, Sec. 82-1-104, MCA; NEW, 1977 MAR p. 1196, Eff. 12/24/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1983 MAR p. 1193, Eff. 8/26/83; AMD, 1987 MAR p. 1095, Eff. 7/17/87.)

36.22.502 PLUGGING AND ABANDONMENT Unless otherwise agreed to between the surface owner; the company, firm, corporation, or individual responsible for the drilling of seismic shot holes; and the board's designated inspector, all such holes shall be plugged and abandoned as set forth below; provided, however, that before the surface owner agrees to a plugging method which deviates from this rule, he must be given a copy of this rule:

(1) The seismic company responsible for the plugging and abandonment of seismic shot holes shall notify the board in writing at its Billings office of its intent to plug and abandon, including the date and time such activities are expected to commence, the location by section, township and range of the holes to be plugged, and the name and telephone number of the person in charge of the plugging operations. A copy of this notice shall be sent to the surface owner at the same time.

(2) All seismic shot holes shall be plugged before shooting. Exceptions may be granted after approval by the board's designated inspector. In the event the original plug does not hold, the hole shall be properly plugged as soon as reasonably practicable; however, in no event shall any hole remain unplugged for a period of more than 30 days unless, upon application, the board or its staff grants an extension which may not exceed 90 days. All holes shall be temporarily capped during the period between drilling and final plugging.

(3) When drilling seismic shot holes, and non-artesian water is encountered or when water is used in conjunction with the drilling, plugging shall be accomplished by filling the hole with coarse ground bentonite from the bottom up to 5 feet above the static water level with a minimum of 100 pounds of bentonite. The hole shall be further filled and tamped with cuttings to a depth of three feet below ground level. All shot holes drilled in the glacial till area of Montana as shown on USGS Miscellaneous Geologic

Investigations Map I-327 shall be filled with coarse ground bentonite from the bottom to 3 feet below the surface. A commercial plug shall be set at this depth with a permit number or the name of the contractor either imprinted on the plug or on a plastic or metallic tag securely attached to the plug. The remainder of the hole shall be filled with cuttings and soil, and a sufficient mound shall be left over the hole to allow for settling.

(a) With the approval of the board's designated inspector the shot hole may be plugged by filling the hole with bentonite-water slurry by hose injection and displacement upwards from the maximum depth attainable. The slurry mixture shall have a marsh funnel viscosity of 60 seconds or greater per quart (subject to field verification on site) and shall contain a minimum of 28 pounds of commercial plugging bentonite per 42 gallons of water. The hole shall be filled to a depth of 3 feet below ground level and the commercial plug shall be set at this depth. The remainder of the hole shall be filled with cuttings and soil, and a sufficient mound shall be left over the hole to allow for settling.

(b) Seismic holes that penetrate artesian water deposits shall be stabilized with a cement slurry to a level not higher than three feet below the surface of the ground. The cement slurry shall be of sufficient density to contain the waters to their native strata. The remainder of the hole shall be filled with native surface material. When alkaline or saline waters are encountered, the hole shall be plugged immediately as set forth in (3) and (a) except, if the bentonite-water slurry method is used, a heavier slurry mix must be used with the addition of inorganic drying or stabilizing chemicals such as calcium chloride, sodium bicarbonate, or soda ash to assist in the effective plugging and stability of the bentonite column in the hole.

(c) In completely dry holes, plugging shall be accomplished by filling the hole with not less than 50 pounds of coarse ground bentonite followed by the cuttings. The returned cuttings shall be tamped to insure the hole is not bridged. The hole shall be filled to a depth of 3 feet below the surface and the commercial plug set and topped with cuttings and soil as prescribed by paragraph (3)(a).

(i) With approval of the board's designated inspector, the shot hole may be plugged by filling the hole with the bentonite-water slurry mixture as set forth in paragraph (a).

(d) Seismic shot holes that crater or slough at the surface after being shot shall be plugged as set forth in subsections (3), (a) and (b) insofar as those procedures are reasonably possible. However, deviations from those procedures are permissible as circumstances may dictate, provided the procedures are designed to accomplish the primary objective of containing waters penetrated by the hole to their native strata and restoring the surface as near as practicable to its original conditions. The board and surface owner shall be notified of such deviations.

(4) The surface area around each seismic shot hole shall be restored to its original condition insofar as such restoration is practicable. Cuttings shall be spread no deeper than 1 inch thick and all stakes, markers, cables, ropes, wires, primacord, cement or mud sacks, and any other debris or material not native to the area shall be removed from the drill site and deposited in a convenient sanitary landfill or other approved site or disposed of by an approved disposal method. Appropriate seeds shall be planted when required to restore the surface to its original condition.

(5) A seismic shot hole may be left unplugged at the request of the surface owner for conversion to a fresh water well provided the surface owner executes a release on Form No. 19 relieving the party otherwise responsible for the plugging and abandonment of the hole from any liability for damages that may thereafter result from the hole remaining unplugged. This release will cite the date, location, surface elevation, depth to aquifer, and any action taken. This information shall be furnished by the geophysical operator. The surface owner must also notify and file within 30 days appropriate forms with the water

rights bureau of the department of natural resources and conservation. The surface owner must also apply for a permit from the board of water well contractors, and explain in detail the procedures to be used in constructing the well. This is to insure that the shot hole is properly constructed, cased and developed into a water well, according to the minimum construction standards for water wells, as adopted by the board of water well contractors. (History: Sec. 82-1-104, MCA; IMP, Sec. 82-1-104, MCA; NEW, 1977 MAR p. 1196, Eff. 12/24/77; AMD, 1982 MAR p. 1964, Eff. 10/29/82; AMD, 1983 MAR p. 1193, Eff. 8/26/83; AMD, 1984 MAR p. 931, Eff. 6/15/84; AMD, 1987 MAR p. 1095, Eff. 7/17/87.)

36.22.503 NOTIFICATION (1) The county clerk and recorder of the county in which a permit for geophysical activity is issued shall immediately forward notice of the issuance of such permit to the board of oil and gas conservation at its office in Billings, Montana.

(2) The board shall notify the county clerk and recorder of the county if the person, firm, or corporation which has obtained a permit is not in compliance with any applicable requirement for engaging in geophysical activity within the state.

(3) If the board of oil and gas conservation determines that a person, firm, or corporation has violated any provisions of this act, the board shall take necessary action to assure compliance.

(4) Before commencing geophysical activity, the person, firm, or corporation shall notify the surface user as to the approximate time schedule of the planned activity and upon request the following information shall also be furnished;

(a) the name and permanent address of the geophysical exploration firm along with the name and address of the firm's designated agent for the state if different from that of the firm's;

(b) evidence of a valid permit to engage in geophysical exploration;

(c) name and address of the company insuring the geophysical firm;

(d) the number of the bond required in section 82-1-104, MCA, to be filed with the secretary of state;

(e) a description of the surface areas where the planned geophysical activity will take place;

(f) anticipated need, if any, to obtain water from the surface user during planned geophysical activity. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-1-103, and Sec. 82-1-105 through 82-1-107, MCA; NEW, Eff. 12/24/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.504 IDENTIFICATION Each unit of mobile equipment utilized in seismic exploration or plugging seismic shot holes shall display on both sides in conspicuous lettering the name of the holder of the geophysical exploration permit by or for whom the work is being done and the telephone number of the permit holder. (History: Sec. 82-1-101, MCA; IMP, Sec. 82-1-101, MCA; NEW, 1983 MAR p. 1193, Eff. 8/26/83.)

Sub-Chapter 6
Permit to Drill

36.22.601 NOTICE OF INTENTION AND PERMIT TO DRILL (1) No person shall commence the drilling of an oil or gas well or stratigraphic test well or core hole without filing an application for permit to drill on Form No. 22 and obtaining a drilling permit from the board. If the proposed well or hole is not located within the boundaries of a delineated field for which, after public hearing, an order has been entered by the board that drilling permits may issue for locations within that field without further public hearing, the applicant must:

(a) At its own expense, cause publication of notice in a format prescribed by the board in one issue of a newspaper in general circulation in Helena and a newspaper of general circulation in the county where the proposed well or hole is located; and

(b) File proof of such publication in the form of a copy of the page on which the ad appears showing the ad and the date of publication or an affidavit of the publisher.

(2) Prior to the commencement of recompletion operations on any oil or gas well, notice shall be delivered to the board of such intention on Form No. 2, and approval shall be obtained.

(3) When a permit is sought for a 320 acre drilling or spacing unit, Form No. 22 as filed with the board shall include a description of the lands to be included.

(4) The staff of the board shall refer an application for permit to drill to the board for notice and public hearing if:

(a) An interested person shall, as to any application for permit to drill for which published notice is required, file in the form hereinafter set forth a written demand for an opportunity to be heard concerning such application; or

(b) The staff determines that a person applying for a drilling permit or approval of recompletion operations is not in substantial compliance with the board's rules governing the applicant's operations in Montana; or

(c) The planned drilling operations require further environmental review.

(5) In those instances where such requests for a permit to drill have been the subject of notice and public hearing, the board shall, after such hearing, either:

(a) Enter its order granting such permit under such conditions as the board shall find proper and necessary; or

(b) Enter its order denying the application for the permit.

(6) A demand for opportunity to be heard concerning any application for permit to drill for which published notice is required must:

(a) Be in writing; and

(b) Set forth the name, address, and telephone number of each party making the demand, and their ownership interest, if any, in the lands surrounding the drill site; and

(c) Set forth the specific reasons why the party requests a hearing regarding the issuance of the proposed drilling permit; and

(d) Be received by the board no later than ten (10) days after the date of the publication of the notice. Where the notice is not published on the same day in the newspapers specified in paragraph (1)(a) of this rule, the deadline for receiving demands for hearing will be measured by the later publication date. Service of such demand may be made on the board personally, by mail, or by FAX transmission; and

(e) Be simultaneously served upon the applicant for the permit by written copy mailed or FAX transmitted to the address or number set forth in the published notice. A certificate of such service must accompany the demand as filed with the board.

(7) Surface owner concerns which are subject to the provision of 82-10-504, MCA (Surface Damage and Disruption Payments) will not be the subject of a public hearing before the board. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122, MCA; Eff. 12/31/72; AMD, Eff. 6/4/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1983 MAR p. 82, Eff. 1/28/83; AMD, 1990 MAR. p. 305; Eff. 2/9/90.)

36.22.602 NOTICE OF INTENTION TO DRILL AND APPLICATION FOR PERMIT TO DRILL (1) A notice of intention and application for permit to drill must include a survey plat certified

by a registered surveyor and showing the location of the proposed well with reference to the nearest lines of an established public survey.

(2) An operator may not deviate from the board approved permit to drill and conditions thereon without approval of the board administrator. The board administrator may impose further permit modifications or conditions at any time should the factual situation warrant such modifications or conditions. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122, MCA; Eff. 12/31/72; AMD, Eff. 6/4/77; AMD, 1982 MAR p. 488, Eff. 3/12/82; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.603 PERMIT FEES (1) Notice of intention to drill an oil or gas well or stratigraphic test well or core hole shall also be accompanied by payment of a fee, as follows:

(a) for each well whose estimated depth is 3500 feet or less, $25.00;

(b) from 3501 feet to 7000 feet, $75.00;

(c) 7001 feet and deeper, $150.00.

(2) Permits for deepening wells shall require the payment of fees for the estimated new total depth; where fees have been paid for the previous depth, credit shall be given therefor. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-134, MCA; Eff. 12/31/72; AMD, Eff. 6/4/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.604 PERMIT ISSUANCE - EXPIRATION - EXTENSION (1) If no written demand for hearing has been filed within seven (7) days following the date of publication of the notice as specified in ARM 36.22.601 and the planned drilling operations do not require further environmental review, and the application complies in all respects with the applicable rules of the board, a permit shall be issued promptly by the Petroleum Engineer or his authorized agent.

(2) If the application for permit does not comply in all respects with such rules, said application shall be disallowed, and the Petroleum Engineer or his authorized agent shall promptly notify the person of the reason or reasons for such disallowance.

(3) If drilling is not commenced, no such permit to drill shall be valid after the expiration of a period of six months from the date of the issuance thereof by the board or its authorized agents. Any permittee who fails to commence drilling within the six months period of the permit must file a new application for permit to drill and pay the fee therefor.

(4) A permittee must advise the board, either verbally or in writing, of the date of spudding a permitted well within 72 hours of commencing drilling. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122 and Sec. 82-11-134, MCA; Eff. 12/31/72; AMD, Eff. 6/4/77; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1990 MAR. p. 305; Eff. 2/9/90.)

36.22.605 TRANSFER OF PERMITS No person to whom a permit has been issued shall transfer the permit to any other location or to any other person until the following requirements have been complied with:

(1) If prior to the drilling of a well the person holding a permit desires to change the location, he shall submit another notice on Form 2 with a survey plat as specified in ARM 36.22.602. No additional permit fee is necessary if the estimated depth is to be the same as the originally intended well; but drilling shall not be started until the transfer has been approved.

(2) If, while a well is being drilled, the person holding a permit disposes of his interests in the well, he shall comply with the transfer requirements set forth in ARM 36.22.1308. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122 and Sec. 82-11-134, MCA; Eff. 12/31/72; AMD, 1990 MAR. p. 305; Eff. 2/9/90.)

36.22.606 NOTICE AND ELIGIBILITY STATEMENT FOR DRILLING OR RECOMPLETION IN UNIT OPERATIONS (1) If the applicant desires a statement from the Petroleum Engineer to be filed with another state or federal agency relating to the need for an additional well or recompletion operation, and further, if either the notice applies to a gas well to be drilled or recompleted at a location and to a formation, zone, or depth which is unitized under a unit agreement approved by the board of Oil and Gas Conservation pursuant to Sections 82-11-204 through 82-11-216, MCA, and as to which all applicable well spacing rules and orders, excepting well location rules and orders applicable to exterior boundaries shall have been removed or the notice applies to a recompletion within an established spacing unit in the same reservoir, the applicant shall file the notice and an eligibility statement acceptable to the Petroleum Engineer.

(2) Such eligibility statement shall justify the need for the drilling of the new well or the performance of the recompletion operation and shall include geologic and engineering evidence as may be necessary for the Petroleum Engineer to determine that the new well or the recompletion operation is needed.

(3) The Petroleum Engineer shall make a written finding as to the sufficiency of the eligibility statement, including the need for the new well or the recompletion operation.

(4) Should the Petroleum Engineer fail to issue a drilling or recompletion permit within 10 days of filing the notice and eligibility statement, the applicant may apply to the board for a determination for the need for the new well or the recompletion operation, and a hearing on such application shall be held at the next regularly scheduled meeting of the board. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-122 and Sec. 82-11-134, MCA; Eff. 12/31/72; AMD, Eff. 6/4/77.)

36.22.607 DRILLING PERMITS PENDING SPECIAL FIELD RULES

(1) Upon receipt by the board at its Helena, Montana, office of an application or petition from any person requesting the establishment of special field rules for spacing of wells within a certain designated area all or a portion of which is not then subject to field rules or upon a decision by the board to call a hearing for the establishment of such special field rules, applications for permits to drill within such area will be held in abeyance by the board until such time as the matter has been fully heard and determined, unless the location of the well or wells in such applications to drill conform to the spacing applied for.

(2) In the event two or more applications for spacing covering all or a portion of the same area are awaiting hearings at the same time, applications for permits to drill within such area will be approved only if such applications conform to the largest spacing applied for. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-124 and Sec. 82-11-201, MCA; Eff. 12/31/72.)

Sub-Chapter 7
Well Spacing Units

36.22.701 SPACING UNITS GENERAL (IS HEREBY REPEALED)
(History: Sec. 82-11-111, MCA; IMP, 82-11-201, MCA; Eff. 12/31/72; AMD, 1977 MAR p. 549, Eff. 9/24/77; REP, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.702 SPACING OF WELLS In proven oil and gas fields, the spacing of wells as well as the establishment of spacing units will be governed by special field rules for the particular field to be adopted after notice and hearing. In the absence of special field rules, the following rules shall govern:

(1) Unless a special exception is granted after notice and hearing, no stratigraphic test or core hole

or wildcat or exploratory well with a projected depth of 6,000 feet or less shall be located closer than 330 feet to any legal subdivision line, except that a 75 foot tolerance to move closer to the quarter-quarter section lines will be allowed in extremely rough terrain where it is impractical to move in any other direction, but only after inspection of the location by a representative of the board and subsequent approval by the Petroleum Engineer or his authorized agent.

(2) A legal subdivision is hereby defined by the board as being a regular governmental quarter-quarter section or governmental lot corresponding thereto, consisting of 40 acres more or less.

(3) No stratigraphic test or core hole or wildcat or exploratory well with a projected depth between 6,000 feet and 11,000 feet shall be located closer than 660 feet to any governmental quarter section line, except that a 150 foot tolerance to move closer to the quarter section lines will be allowed in extremely rough terrain where it is impractical to move in any other direction, but only after inspection of the location by a representative of the board and subsequent approval by the Petroleum Engineer or his authorized agent.

(4) Before any stratigraphic test or core hole or wildcat or exploratory well with a projected depth greater than 11,000 feet may be commenced, two contiguous governmental quarter sections (which may lie in either one or two governmental sections) shall be designated as the 320 acre drilling unit for such well. Such designation shall be made by the operator or operators of the two governmental quarter sections described in the designation, and the designation shall be subject to administrative approval by the board.

(5) A stratigraphic test or core hole or wildcat or exploratory well with a projected depth greater than 11,000 feet shall be located no closer than 660 feet to any governmental quarter section line which is an exterior boundary of a 320-acre drilling unit and only one well shall be permitted to produce from the same reservoir within the same 320-acre drilling unit.

(6) A 320-acre drilling unit is defined by the board as two contiguous regular governmental quarter sections or a number of lots that approximate two contiguous quarter sections and consisting of 320 acres more or less.

(7) Unless a special exception is granted after notice and hearing, no oil well with a projected depth of 6,000 feet or less shall be located closer than 330 feet to any legal subdivision line, and only one well shall be permitted to produce from the same reservoir within the same legal subdivision.

(8) No oil well with a projected depth between 6,000 feet and 11,000 feet shall be located closer than 660 feet to any governmental quarter section line, and only one well shall be permitted to produce from the same reservoir within the same governmental quarter section.

(9) Before the drilling of any oil well with a projected depth greater than 11,000 feet may be commenced, two contiguous governmental quarter sections (which may lie in either one or two governmental sections) shall be designated as the 320-acre drilling unit for such well. Such designation shall be made by the operator or operators of the two governmental quarter sections described in the designation, and the designation shall be subject to administrative approval by the board.

(10) An oil well with a projected depth greater than 11,000 feet shall be located no closer than 660 feet to any governmental section or quarter section line which is an exterior boundary of the 320-acre drilling unit and only one well shall be permitted to produce from the same reservoir within the same 320-acre drilling unit.

(11) Unless a special exception is granted after notice of hearing, no gas well shall be located closer than 990 feet to any governmental section line, and only one well shall be permitted to produce from the same reservoir within the same governmental section. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-124 and Sec. 82-11-201, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.703 HORIZONTAL WELLS (1) Unless otherwise modified herein, the requirements of ARM 36.22.702 shall apply to horizontal wells.

(2) For the purpose of determining the size of drilling units and the permissible location of horizontal wells, "projected depth" as used in ARM 36.22.702 means the projected true vertical depth of the deepest horizontal drainhole.

(3) A horizontal well meets the location requirements of ARM 36.22.702 if the point where the well bore first penetrates the common source of supply, the horizontal drainhole end point, and every part of the well bore lying between these points meet the minimum distance requirements from the drilling unit boundaries that would apply to a vertical well of the same projected depth, regardless of the surface location proposed.

(4) The operator of a horizontal well may designate an optional drilling unit, which must consist of two contiguous drilling units of the size and shape otherwise authorized for a vertical well of the same projected depth. The operator must receive administrative approval of the optional drilling unit before starting to drill the horizontal drainhole. Minimum distance requirements from drilling unit boundaries that would apply to the contiguous drilling units apply to the optional drilling unit, except that such requirements do not apply to the common boundary of the contiguous units. Any operator designating an optional drilling unit under this section must apply for proper well spacing within 90 days after the completion of a well capable of production.

(5) Within 30 days after completion of a horizontal well, the operator must file with the board a complete and accurate directional survey showing the location, direction, and length of each horizontal drainhole and demonstrating that all drainholes are at locations permitted by this rule or by a board location exception order.

(6) In those cases where a horizontal well is drilled following an initial vertical penetration of the target horizon, or the horizontal well includes more than one horizontal drainhole, the completion report submitted under ARM 36.22.1011 must adequately describe each well path. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-124 and 82-11-201, MCA; NEW, 1992 MAR p. 654, Eff. 4/1/92.)

Sub-Chapters 8 and 9 Reserved.

Sub-Chapter 10
Drilling

36.22.1001 ROTARY DRILLING PROCEDURE Unless altered, modified, or changed by the board for particular common sources of supply, the following rules apply to drilling wells with rotary tools.

(1) Suitable and safe surface casing must be used in all wells. Sufficient surface casing must be run to reach a depth below all fresh water located at levels reasonably accessible for agricultural and domestic use. Surface casing must be set in or through an impervious formation and must be cemented by the pump- and-plug or displacement method with sufficient cement to circulate to the top of the well. If it becomes necessary to run a production string, such string must be cemented by the pump-and-plug method or any other method approved by the board administrator and must be properly tested by the pressure method before cement plugs are drilled.

(2) All cemented casing strings shall stand under pressure until the cement has reached a compressive strength of 300 pounds per square inch; provided, however, that no tests shall be commenced until the cement has been in place for at least 8 hours. The requirement "under pressure" as used herein will be complied with if one float valve is used or if pressure is otherwise held.

(3) Blowout prevention equipment must be installed and maintained on all wells in accordance with the requirements of ARM 36.22.1014.

(4) Freshwater-based drilling fluid or air must be used when drilling the surface hole prior to setting surface casing and when drilling through freshwater aquifers anywhere within the state of Montana. (History: Sec. 82-11-111, MCA; IMP, 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, Eff. 7/5/75; AMD 1982, MAR p. 1205; Eff. 6/18/82; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1002 CABLE DRILLING PROCEDURE (1) Before commencing to drill a well, the operator must construct proper and adequate slush pits according to the plan in the application for permit to drill approved by the board.

(2) If cable tools are used, sufficient casing must be set to protect all fresh water located at levels reasonably accessible for agricultural and domestic use, and, before drilling below the casing point proceeds, such casing must be tested by bailing to ensure a shutoff.

(3) Natural gas that may be encountered in a substantial quantity in any section of a cable-tool-drilled hole above the ultimate objective must be shut off with reasonable diligence and confined to its original source. Any gas escaping from the well during drilling operations must be conducted a safe distance from the well site.

(4) A casing program adopted for cable-tool-drilled wells must be so planned as to protect any potential oil- or gas- bearing horizons penetrated during drilling from infiltration of injurious waters from other horizons, to prevent the migration of oil or gas from one horizon to another, and to prevent migration of oil, salt water, or other contaminants into freshwater aquifers.

(5) Freshwater-based drilling fluid must be used when drilling the surface hole prior to setting surface casing and when drilling through freshwater aquifers anywhere within the state of Montana. (History: Sec. 82-11-111, MCA; IMP, 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, Eff. 7/5/75; AMD 1982, MAR p. 1205; Eff. 6/18/82; AMD 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1003 VERTICAL DRILLING REQUIRED - DEVIATION (1) All wells shall be so drilled that the horizontal distance between the bottom of the hole and the location at the top of the hole shall be at all times at a practical minimum unless authorization for controlled directional drilling has been obtained.

(2) Before beginning controlled directional drilling, except for the purpose of straightening the hole, sidetracking junk, or correcting mechanical difficulties, where the intent is to direct the bottom of the hole away from the vertical, notice of the intention to do so shall be filed with the board on Form No. 2 and administrative approval obtained. Such notice shall state clearly the depth, exact surface location of the well bore, proposed direction of deviation, and proposed horizontal distance between the bottom of the hole and the surface location. If approval is obtained, the owner shall file with the board within 30 days after the completion of the work an accurate and complete copy of the survey made. Administrative approval for controlled directional drilling is not available where the proposed bottomhole location is not in compliance with applicable field or statewide well locations rules. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1004 DUAL COMPLETION OF WELLS No well may be dually completed or dually recompleted without first notifying the board on Form No. 2 and each offset operator in writing at least 10

days prior to the commencement of such completion or recompletion operation, and without approval of the Petroleum Engineer or his authorized agent obtained after such 10 days. If within such 10 days any offset operator files with the board a written protest to the proposal, the matter shall be immediately set down for hearing after notice, and the well shall not be completed or recompleted until permitted by order of the board after such hearing (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1005 DRILLING WASTE DISPOSAL AND SURFACE RESTORATION (1) The operator of a drilling well must contain and dispose of all solid waste and produced fluids that accumulate during drilling operations so as not to degrade surface water, groundwater, or cause harm to soils. Said waste and fluids must be disposed of in accordance with all applicable local, state and federal laws and regulations.

(2) When a salt-based or oil-based drilling fluid is used to drill a well located within a floodplain, as defined by ARM 36.15.101, or in irrigated cropland, drilling waste and produced fluids that accumulate during drilling operations must be disposed of off-site in a manner allowed by local, state, and federal laws and regulations unless an alternative on-site disposal method is approved in writing by the board administrator.

(3) The operator of a drilling well must construct, close, and restore any reserve pits in a manner that will prevent harm to the soil and will not degrade surface waters or groundwater. When a salt-based or oil-based drilling fluid is used, the reserve pit must be lined with a synthetic liner approved by the board administrator.

(4) Within 10 days after the cessation of drilling or completion operations, all hydrocarbons must be removed from earthen pits used in association with drilling or completion operations or such pits must be fenced, screened, and netted. Such pits that contain water with more than 15,000 parts per million total dissolved solids or salt-based drilling fluids must be fenced within 90 days after the cessation of drilling and completion operations.

(5) Earthen pits used in association with drilling and completion operations must not be used for the disposal of any additional fluids or materials after the cessation of drilling and completion operations.

(6) All earthen pits used in association with drilling and completion operations must be closed and the surface restored according to board specifications within one year after the cessation of drilling operations. Upon written application by the operator, an exception to the one-year pit closure requirement may be granted in writing by the board administrator upon a showing that:

(a) no dumping or disposal of waste or fluids in the pit will occur; and

(b) delayed closure of the pit will not present a risk of contamination to soils or water or a hazard to animals or persons. (History: Sec. 82-11-111, MCA: IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, Eff. 7/5/75; AMD, 1992 MAR p. 654, Eff. 4/1/92).

36.22.1006 through 36.22.1010 Reserved

36.22.1011 WELL COMPLETION AND RECOMPLETION REPORTS (1) Within 30 days after the completion of a well drilled for oil or gas (except a wildcat or exploratory well), a completion report shall be filed with the board on Form No. 4.

(2) Within 30 days after the completion of any repair, deepening, reconditioning, reperforating, or recompletion, a detailed report of work done and results obtained shall be filed with the board on Form

No. 2. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD Eff. 7/5/75.)

36.22.1012 SAMPLES OF CORES AND CUTTINGS (1) Any owner or operator drilling or deepening a well for oil or gas must deliver prepaid to the board at the office stipulated on the approved permit to drill a complete and representative sample of the core chips and a dry, washed set of cuttings within a period of 6 months after the completion or abandonment of such well.

(2) A complete and representative sample of core chips and a dry, washed set of cuttings from a stratigraphic well must be delivered prepaid to the board at the office stipulated on the approved permit to drill within 3 years of the completion of the stratigraphic well.

(3) The board may at its discretion relieve any owner or operator from the obligation to so deliver samples of core chips or cuttings. (History: Sec. 82-11-111, MCA IMP, Sec. 82-11-125, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1982 MAR P. 2149 Eff. 12/17/82; AMD, 1983 MAR p. 1195, Eff 8/26/83; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1013 FILING OF COMPLETION REPORTS, WELL LOGS, ANALYSES, REPORTS, AND SURVEYS (1) The owner or operator must run an electrical, radioactivity, or similar petrophysical log or combination of logs sufficient to determine formation tops from total depth to the base of the surface casing unless waived by the board administrator.

(2) Within 30 days after the completion, reworking, or abandonment of any well drilled to known productive horizons within a delineated field, the operator or owner must transmit to the board three copies of Form 4, four copies of Form 2, and two copies of all well logs; drill stem test survey reports; sample and core description logs, analyses, reports, water analyses; and all other logs, surveys, and reports run or made.

(3) In the case of a wildcat or exploratory well, the owner or operator must transmit to the board within 6 months after completion or abandonment three copies of Form 4, four copies of Form 2 and two copies of all logs, surveys, reports, and analyses run or made as described in subsection (2). In the case of a stratigraphic well, said information must be sent to the board within three years from the date of completion. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, MAR p. 2149, Eff. 12/17/82; AMD, 1983 MAR p. 1195, Eff. 8/26/83; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1014 BLOWOUT PREVENTION AND WELL CONTROL EQUIPMENT (1) Unless otherwise provided for by the permit to drill issued under ARM 36.22.601 and ARM 36.22.602, or by board order issued after public notice and hearing, the owner must provide blowout preventers and well control equipment on all wells in accordance with the following rules.

(a) For wells in areas of abnormal or unknown formation pressures, proper blowout preventers must consist of hydraulically-operated single or double ram-type preventers with at least one pipe ram and one blind ram, and an annular-type preventer. Additional equipment must include upper and lower kelly cocks; mud pit level indicators with alarms an/or flow sensors and alarms; and choke manifolds, kill lines, and other well control equipment sufficient to handle all pressure kicks. Accumulators must maintain a pressure capacity reserve at all times to provide for the operation of the hydraulic preventers and valves with no outside source of pressure.

(b) For development wells and in all areas of known formation pressures, blowout prevention and well control equipment must be installed.

(c) The owner must maintain all blowout prevention and well control equipment in good working order.

(2) Drilling spools for blowout preventer stacks must meet the following minimum specifications:

(a) for working pressures rated at 3,000 or 5,000 pounds per square inch (psi), flanged, studded, or clamped side outlets of no less than 2 inches nominal diameter.

(b) for working pressures rated at 10,000 and 15,000 psi, one 2-inch side outlet and one 3-inch side outlet.

(3) The rated working pressure of all blowout preventers and well control equipment must equal or exceed the maximum anticipated pressure to be contained at the surface.

(4) Wellhead outlets must not be used for choke or kill lines in areas of abnormal or unknown formation pressures. Such outlets may be employed for auxiliary or back-up connections to be used only if the primary control system fails.

(5) The owner or operator must test blowout prevention and well control equipment according to the following standards.

(a) Ram-type blowout preventers and well control equipment, including casing, must receive initial pressure testing to the least of the manufacturer's fullworking pressure rating of the equipment, 50 percent of the minimum internal yield pressure of any casing subject to test, or one psi per foot of the last casing string depth. Annular-type blowout preventers must receive initial pressure testing in conformance with the manufacturer's published recommendations.

(b) If, for any reason, a pressure seal is disassembled, the owner or operator must test the full working pressure of that seal before resuming drilling operations. However, if the affected seal is an integral part of the blowout preventer stack, the owner or operator may obtain permission from a board representative to proceed without testing the seal.

(c) In addition to the initial pressure tests, the owner or operator must check ram- and annular-type preventers for physical operation each trip but not more than once each twenty-four (24) hour period.

(d) All blowout preventer components, with the exception of annular preventers, must be tested monthly to the least of 50 percent of the manufacturer's rated pressure, the maximum anticipated pressure to be contained at the surface, one psi per foot of the last casing string depth, or 70 percent of the minimum internal yield pressure of any casing subject to test.

(e) The owner or operator must note all tests of blowout preventer and well control equipment on the driller's log, which must be made available to the board upon request. The board may require the operator or the drilling contractor to provide a signed and sworn affidavit attesting to the sufficiency of the blowout prevention equipment and any testing of such equipment.

(6) The owner or operator must submit a schematic diagram of the proposed blowout prevention and well control equipment with the application for permit to drill.

(7) In areas where hydrogen sulfide or sour gas may be encountered, the following additional equipment and precautions are required:

(a) a blowout preventer closing unit located in a safe place easily accessible to rig personnel.

(b) a remote auxiliary choke control panel to operate the choke manifold set up at a safe distance upwind from the rig floor.

(c) a remote kill line sufficient to permit use of an auxiliary high-pressure pump.

(d) the placement of the drilling fluid inlet line to the degasser close to the drilling fluid discharge line from the mud/gas separator.

(e) provisions to flare toxic gases with an adequate degasser, discharge lines, check valves, a vertical flare stack, and a gas ignition system.

(f) provisions for personnel training; personnel protective equipment including sensors, alarms, and breathing equipment; warning signs; and wind direction flags to safeguard against injury or death. (History: Sec. 82-11-111, MCA; IMP; Sec. 82-11-121, 82-11-123 and Sec. 82-11-124, MCA; NEW, 1992 MAR p. 654, Eff. 4/1/92.

Sub-Chapter 11
Safety

36.22.1101 FIRE HAZARD PREVENTION Any rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the well site, tanks, and reservoirs. All waste oil shall be burned or disposed of in a manner to avert creating a fire hazard. The owner shall take all available precautions to prevent any oil or gas well from blowing open and shall take immediate steps and exercise due diligence to bring under control any "wild" or burning oil or gas well. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1102 FIRE WALLS REQUIRED When it is deemed necessary by the board to protect life, health, or property, the board may require any lease tanks or oil storage tanks to be surrounded by an earthen dike which shall have a capacity of 1 1/2 times the capacity of the tank or tanks it surrounds and which dike shall be continually maintained; and the reservoir within shall be kept free from vegetation, water, or oil. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1103 NOTIFICATION AND REPORT OF EMERGENCIES AND UNDESIRABLE INCIDENTS (1) The owner or operator of a facility must give immediate notice by telephone to an authorized representative of the board and a written report to the board administrator within five working days of any of the following emergencies:

(a) the spill, leak, or release of more than 50 barrels of oil or water containing more than 15,000 parts per million (ppm) total dissolved solids (TDS);

(b) the spill, leak, or release of any amount of oil or of water containing more than 15,000 ppm TDS that enters surface water or groundwater;

(c) the spill, leak, or release of any amount of produced water that degrades surface water or groundwater;

(d) the release of any amount of gas with concentrations of 100 or more ppm hydrogen sulfide that is not immediately controlled;

(e) any fire; and

(f) any blowout.

(2) The owner or operator must file a written report with the board administrator within five working days after any of the following:

(a) the spill, leak, or release of ten (10) or more barrels of oil or water containing more than 15,000 ppm TDS that is not completely contained within tank firewalls; and

(b) the escape or release of over 3,000 MCF of gas.

(3) The written and telephone reports referred to in parts (1) and (2) of this rule must include the following information:

(a) the location of the facility involved in sufficient detail that the site of the emergency can be readily located on the ground;

(b) an estimation of the quantity of oil, water or gas lost, destroyed, or permitted to escape;

(c) steps that have been or will be taken to remedy the situation and the time schedule for each; and

(d) any injuries or property damage.

(4) The owner or operator must file with the board administrator any supplemental report that may be required by the board in connection with any individual emergency or undesirable incident.

(5) The reporting required by this rule is in addition to all other reporting required by other applicable local, state, and federal laws and regulations. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123; Eff. 12/31/72; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1104 CONTROL AND CLEANUP (1) The owner or operator must promptly control and clean up any leak, spill, escape, or discharge, regardless of the amount of oil, produced water, water containing more than 15,000 ppm TDS, or gas involved. (History: Sec. 82-11-111, MCA; IMP, Sec. and 82-11-123, MCA; NEW, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1105 SOLID WASTE (1) Solid waste associated with oil and gas exploration or production activities must be disposed of according to all applicable local, state, and federal laws and regulations. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; NEW, 1992 MAR p. 654, Eff. 4/1/92.)

Sub-Chapter 12
Production

36.22.1201 SURFACE EQUIPMENT Wellhead equipment shall be installed and maintained in satisfactory condition so that static bottom-hole pressures and operating gas-oil ratios may be obtained at any time. Valves shall be installed so that pressure can be readily obtained on both casing and tubing. However, exceptions may be granted by the Petroleum Engineer or his authorized agent when warranted by operating practices. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1202 IDENTIFICATION The owner shall permanently mark all wells, producing properties, and tanks in a conspicuous place with his name, lease name, and, as to a well, number of the well and legal description of the well. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72.)

36.22.1203 CHOKES REQUIRED All flowing oil wells shall be equipped with chokes or other adequate control equipment to insure proper and safe operations during normal production practices. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1204 SEPARATORS REQUIRED (IS HEREBY REPEALED) (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; REP, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1205 VACUUM PUMPS PROHIBITED The use of vacuum pumps for the purpose of putting a vacuum on any gas or oil-bearing stratum is prohibited; however, the board may upon application and for good cause shown permit the use of vacuum pumps. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1206 TUBING REQUIRED All flowing oil wells shall be equipped with and produced through tubing, unless the well is a dual completion. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1207 EARTHEN PITS AND OPEN VESSELS (1) Waste oil, oil sludge, tank bottoms, merchantable oil, petroleum products, hazardous wastes, or hazardous or deleterious substances must not be stored, disposed of, or retained in earthen storage pits or in open vessels.

(2) The owner or operator may make temporary use of an unlined earthen pit to retain oil or water in the event of an emergency or to retain fluids generated in recompletion or workover operations. The oil, water, and contaminants must be removed from the emergency, recompletion or workover pit within forty-eight (48) hours and disposed of in a manner that will not degrade surface water or groundwater or cause harm to soils. An owner or operator must apply for and obtain a permit under ARM 36.22.1227 to construct or operate a permanent emergency pit. Repeated use of an earthen pit or pits to contain oil or water spills from an improperly or inadequately designed or maintained production facility does not constitute an "emergency" for purposes of this rule. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1208 PRODUCING FROM DIFFERENT POOLS THROUGH THE SAME CASING No well drilled after January 1, 1954, shall be permitted to produce either oil or gas from different pools through the same string of casing without first receiving written permission from the board, which may require at the discretion of the board notice and hearing. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1209 through 36.22.1212 Reserved

36.22.1213 RESERVOIR OR POOL SURVEYS (1) As directed by the board, surveys shall be made of the reservoirs or pools in this state containing oil and gas. These surveys shall be thorough and complete and shall be made by the operator or his agent under the supervision of agents of the board. The condition of the reservoirs or pools containing oil and gas, and the practices and methods employed by the operators shall be investigated.

(2) The source of crude oil and natural gas, the pressure of the reservoir as an average, the areas of regional or differential pressure, stabilized gas-oil ratios and water-oil ratios, and the producing characteristics of the field as a whole and of the individual wells within the field shall be specifically included.

(3) Provided, however, the board will accept from field engineering committees (petroleum engineering, geological, and statistical groups) or persons engaged in the petroleum industry in such an advisory capacity a periodic record of the physical behavior of the oil and gas reservoirs of Montana. These factual data shall be gathered and arranged in such fashion as to permit rapid evaluation by the board of the oil and gas recovery efficiency of the individual reservoir or pools. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1214 SUBSURFACE PRESSURE TESTS Within 30 days following the completion of each well in any pool whether such well produces oil or gas or both, the owner of such well shall make a subsurface pressure test on such well and shall report the results thereof to the board on Form No. 11 within 20 days after such test is made. Each such well shall remain completely shut in for at least 24 hours prior to the test. The subsurface determination shall be obtained as close as reasonably possible to the mid-

point of the productive section of the reservoir. Further, the board will require periodic subsurface pressure measurements on a sufficient number of wells in any pool to provide adequate data for establishing maximum efficient rates of production (M.E.R.). (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1215 STABILIZED PRODUCTION TEST Within 60 days following the completion or recompletion of an oil well, the operator shall file with the board's Petroleum Engineer at its Billings office the results of a stabilized production test of at least 72 hours duration showing the average daily oil production and average daily gas production during the test period. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; NEW, 1978 MAR p. 1425, Eff. 10/13/78.)

36.22.1216 GAS-OIL RATIO TESTS Within 30 days following the completion and within 30 days following each recompletion of each well producing oil and either gas or casinghead gas or both, the owner of such well shall make a gas-oil ratio test of such well and the results of such test shall be reported to the board on Form No. 11 within 20 days after the test is made. Also, thereafter, each operator shall make a gas-oil ratio test at such other time or times as the board may hereafter designate, and similarly report the results of each such test within the time specified. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1217 WATER PRODUCTION REPORT The owner of each well which produces both oil and water shall separately determine the amount of water produced along with the oil each month and shall each month report to the board the quantity of such water produced along with the oil. Such report shall be made on Form No. 6 by the last day of the succeeding month. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1984 MAR p. 931, Eff. 6/15/84.)

36.22.1218 GAS TO BE METERED All gas when produced and sold shall be metered and reported to the board at 14.73 PSIA at 60[SUPER]o[SUB] Fahrenheit, unless otherwise permitted by the board. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1219 GAS WASTE PROHIBITED After completion of a gas well, no gas shall be permitted to escape into the air, except that required for periodic testing or cleaning of the well bore. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1220 ASSOCIATED GAS FLARING LIMITATION - APPLICATION TO EXCEED - BOARD REVIEW AND ACTION (1) If the average daily gas production exceeds 100 MCFG and the operator intends to flare or otherwise waste the associated gas, the well may not produce more than an average of 100 MCFG per day each calendar month after the 60 day test required by Rule 36.22.1215 until such time as further relief may be granted by the board pursuant to subsections (2) and (3).

(2) If the operator wishes to flare more than an average of 100 MCFG per day each calendar month, the operator must submit with the production test results a statement justifying the need to flare or otherwise waste more than that amount. The statement should include such information as a gas analysis, estimated gas reserves, proximity of the well to a market, estimated gas price at the nearest market, estimated cost of marketing the gas, reinjection potential or other conservation-oriented disposition alternatives, amount of gas used in lease operations, and any other information pertinent to a determination

of whether marketing or not marketing or otherwise conserving the associated gas is economically feasible.

(3) The Petroleum Engineer will review the justification statement with the board at its next regularly scheduled meeting. The board may elect to:

(a) docket a hearing for the operator to show further cause why it should be allowed to flare or otherwise waste more than an average of 100 MCFG per day each calendar month;

(b) restrict production until the gas is marketed or otherwise beneficially utilized; in which case the operator may docket a hearing on his own behalf to seek further relief; or

(c) take any other action the board deems appropriate in the circumstances. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; NEW, 1978 MAR p. 1425, Eff. 10/13/78; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1221 BURNING OF WASTE GAS REQUIRED (1) All gas vented to the atmosphere at a rate exceeding 20 MCF per day shall be burned. All operators of wells venting any quantity of gas containing 20 parts per million or more of H_2S shall insure that workable ignitor systems are installed on such wells and take whatever other steps that may be necessary to insure that all such waste gas is burned and not vented to the atmosphere. No variance from this rule is allowed without written authorization of the board.

(2) Any operator seeking a variance from this rule must submit a production test and a statement justifying the need for a variance. The statement should include such information as potential human exposure; relative isolation of location; restriction of access to location such as fence, warning signs, etc.; low gas volume; and low BTU content.

(3) The board staff will review the justification statement with the board at its next regularly scheduled hearing. The board may elect to grant or deny the application or schedule a hearing thereon. An operator whose application for variance is denied without a hearing may request a hearing. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; NEW, 1984 MAR p. 1042, Eff. 7/13/84.)

36.22.1222 HYDROGEN SULFIDE GAS (1) The owner or operator of an oil or gas well drilled after the effective date of this rule that produces more than 20 MCF of ga per day containing more than 20 parts per million hydrogen sulfide must submit a hydrogen sulfide gas report to the board with Form 4 after the completion of the well.

(2) The owner or operator of an oil or gas well drilled and completed prior to the effective date of this rule that produces more than 20 MCF of gas per day containing more than 20 parts per million hydrogen sulfide must submit a hydrogen sulfide gas report with Form 2 within 12 months after the effective date of this rule.

(3) When more than one well produces casinghead gas into a common production facility, the hydrogen sulfide gas report required by subsections (1) and (2) of this rule may be submitted for the facility in lieu of the submission of a report for each well that produces into the facility.

(4) The hydrogen sulfide gas report required under this rule must include the following information:

(a) the name and location of the well(s);

(b) the name and address of the operator or owner of the well(s);

(c) the name(s) and depth(s) of the hydrogen-sulfide-producing geologic formation(s); and

(d) a gas analysis that indicates the percent concentration of methane, hydrogen sulfide, carbon dioxide, ethane, butane/pentanes, and other constituents.

(5) The owner or operator of a production facility with the potential of accumulating hydrogen sulfide gas in concentrations of 100 parts per million or more must take measures to restrict and warn against access to the facility and must install a wind sock and hydrogen sulfide warning signs at such facility. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; NEW, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1223 FENCING, SCREENING, AND NETTING OF PITS (1) Open storage vessels, earthen pits, or ponds that contain oil must be fenced, screened, and netted.

(2) Open receptacles, earthen pits, or ponds that contain produced water with more than 15,000 parts per million total dissolved solids must be fenced.

(3) This rule does not apply to earthen pits used solely for the purpose of drilling, completing, recompleting, working over, or plugging a well. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; NEW, 1992 MAR p. 654, EFF. 4/1/92.)

36.22.1224 and 36.22.1225 Reserved

36.22.1226 DISPOSAL OF WATER (1) Produced water containing 15,000 parts per million (ppm) or less total dissolved solids (TDS) may be retained and disposed of in any manner allowed by law that does not degrade surface waters or groundwater or cause harm to soils.

(2) Produced water containing more than 15,000 ppm TDS must be disposed:

(a) by injection into an approved Class II injection well; or,

(b) into board-approved lined or unlined earthen pits if the operator can show on permit application Form 23 that the volume of water to be disposed of per pit will not exceed five (5) barrels per day on a monthly basis and the produced water will not degrade any existing surface water or groundwater source or cause harm to soils.

(3) Produced water containing more than 15,000 ppm TDS may be temporarily retained in storage tanks or board-approved, lined earthen pits or ponds prior to injection. The earthen pits or ponds must be constructed and maintained in accordance with ARM 36.22.1227.

(4) Discharges of produced water must be in compliance with all applicable local, state, and federal water quality laws and regulations. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; Eff. 12/31/72; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1227 EARTHEN PITS AND PONDS (1) No person shall construct or use an earthen pit or pond in association with a production facility without first obtaining a permit from the board. Such earthen pits or ponds that exist prior to the effective date of this rule must be permitted or closed and restored according to board specifications within 12 months after the effective date of this rule.

(2) Earthen pits or ponds that receive produced water containing more than 15,000 parts per million (ppm) total dissolved solids (TDS) in volumes greater than five (5) barrels per day on a monthly basis must:

(a) be constructed in cut material or at least 50 percent below original ground level;

(b) be lined with an impermeable synthetic liner, or, if the bottom of the pit or pond is underlain by porous, permeable, sharp, or jagged material, the pit or pond must be lined with at least 3 inches of compacted bentonite prior to setting the impermeable synthetic liner;

(c) be constructed above the high water table;

(d) not be located in a floodplain as defined by ARM 36.15.101, or in irrigated cropland;

(e) be bermed or diked and have at least 3 feet of freeboard at all times between the surface of the water and the top of the banks, berms, or dikes of the pit or pond;

(f) be fenced, screened, and netted in accordance with ARM 36.22.1222; and

(g) not be used for disposal of hazardous wastes or hazardous or deleterious substances.

(3) The board administrator may impose more restrictive earthen pit or pond construction or operation requirements as may be necessary to prevent degradation of water or harm to soils.

(4) Sections (2)(a) through (2)(f) of this rule do not apply to emergency pits as allowed by ARM 36.22.1207, nor does this rule apply to temporary earthen pits, including reserve pits, approved by the board under a valid permit to drill unless such pits remain open and unrestored for more than 12 months after the cessation of drilling or completion operations. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; Eff. 12/31/72; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1228 DISPOSAL BY INJECTION Salt water may be disposed of by injection into the strata from which produced or other proven salt water bearing strata by the procedure outlined in ARM 36.22.1229 through 36.22.1234, except approval may be obtained by administrative order without hearing unless objections are received by the board within 10 days after the application is filed. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; Eff. 12/31/72.)

36.22.1229 WATER INJECTION AND GAS REPRESSURING (1) The owner or operator of any well may inject water or gas under pressure into a formation containing oil or gas for the purpose of obtaining oil or gas from the reservoir upon application, hearing, and approval by the board.

(2) Wells used for the injection of water or gas into a producing formation shall be cased with sound casing so as not to permit leakage, and the casing cemented in such manner as to protect oil, gas, or fresh water reservoirs. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and 82-11-124, MCA; Eff. 12/31/72.)

36.22.1230 APPLICATION - CONTENTS AND REQUIREMENTS

(1) The application for water injection or gas repressuring shall be filed with the board showing:

(a) the location of the input well or wells;

(b) the location of all oil and gas wells including abandoned and drilling wells, dry holes, and the names of the owners of any interests in the oil and gas rights within the limits of the water flood or gas repressuring project;

(c) The formations from which wells are producing or have produced;

(d) the name, description, and depth of the formation to be flooded or repressured with gas;

(e) the elevation of the top of the oil or gas bearing formation in the input well or wells and in the wells producing from the same formation within the limits of the water flood or gas repressuring project;

(f) the electric log of the input well or wells or other log or such other lithological information as is available;

(g) a description of the input well or wells casing;

(h) a description of the water or gas stating the kind, source, and the estimated amount to be injected daily;

(i) the names and addresses of the pool operators in the secondary recovery project; and

(j) such other information as the board may require to ascertain whether the secondary recovery project may be safely and legally made.

(2) Application may be made to include the use of more than one input well on the same lease or on more than one lease.

(3) Applications shall be executed by all operators who are to participate in the proposed secondary recovery project. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1231 NOTICE OF APPLICATION - OBJECTIONS (1) Notice of application for water injection or gas repressuring shall be given by the applicant by mailing or delivering a copy of the application to each operator of drilling or producing wells or of wells which have produced within one-half mile radius of the proposed input well or wells. Such notice shall be mailed or delivered on or before the application is mailed to or filed with the board.

(2) Objections or complaints stating the reasons why the proposed plan as contained in the application may cause damage to oil, gas, or fresh water reservoirs must be filed within 10 days after the application is filed. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1232 BOARD AUTHORIZATION (1) No water flood or gas injection program shall be instituted until the same has been regularly authorized by the board.

(2) The board will make such special orders and rules for the individual case as the conditions may justify. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1233 NOTICE OF COMMENCEMENT OF DISCONTINUANCE- PLUGGING OF ABANDONED WELLS (1) Immediately upon the commencement of water flooding or gas repressuring operations, the applicant shall notify the board of the same and the date of commencement.

(2) Within 10 days after the discontinuance of water flooding or gas injection operations, the applicant or the one in charge thereof shall notify the board of the date of such discontinuance and the reasons therefor.

(3) Before any input well shall be abandoned, notice shall be served on the board, and the same procedure shall be followed in the plugging of such wells as provided for the plugging of oil and gas wells. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1234 RECORDS REQUIRED (1) The owner or operator of an input well or wells shall keep an accurate record of:

(a) the amount of water or gas injected into such well or wells;

(b) the wellhead pressure or pressures;

(c) the total amount of water produced; and

(d) the total amount of oil and gas produced from the area flooded or repressured.

(2) Such information shall be filed with the board. (History: Sec. 82-11-111, CMA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1235 through 36.22.1240 Reserved

36.22.1241 SERVICE COMPANY REPORTS (1) When a service company other than the drilling contractor cements, chemically treats, fractures, perforates, acidizes, plugs, or performs any act designed to change the productivity of a well or reservoir, the service company shall furnish the board at its district office reports concerning such work within 30 days after its completion.

(2) When such operations as set forth in subsection (1) are performed on wildcat or exploratory wells, service company reports need not be submitted to the board for a period of 6 months following

completion of the well, and in such instances the responsibility of submitting such reports shall be that of the operator of the well, except that all service company reports covering all cementing operations other than squeezing must be submitted to the board at its district office within 30 days after the work is performed. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1242 REPORTS BY PRODUCERS - TAX REPORT - TAX RATE (1) Each operator or producer of an oil or gas well shall file or cause to be filed with the board on or before the last day of each month succeeding the month in which the producing or taking occurs a report on Form 6 containing all information required by said form.

(2) The privilege and license tax on each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced, saved and marketed or stored within the state or exported therefrom shall be 2/10ths of 1% of the market value thereof. This rule is effective on all crude petroleum and natural gas produced on and after July 1, 1986. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, 82-11-131, and 82-11-133 MCA; Eff. 12/31/72; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1982 MAR p. 2149 Eff. 12/17/82; AMD, 1983 MAR p. 1195, Eff. 8/26/83; AMD, 1986 MAR p. 1384, Eff. 8/15/86; AMD, 1992 MAR p. 654, Eff. 4/1/92.)

36.22.1243 REPORTS FROM TRANSPORTERS, REFINERS, AND GASOLINE OR EXTRACTION PLANTS All transporters of crude oil shall make monthly reports to the board on Form No. 7. All refiners of crude oil shall make monthly reports to the board on Form No. 8. All transporters of gas shall make monthly reports to the board on Form No. 9. All operators of gasoline or other extraction plants shall make monthly reports to the board on Form No. 10. Such forms shall contain all information required therein and shall be filed with the board on or before the last day of each month covering the preceding month. (History: Sec. 82-11-111, MCA; IMP, SEC. 82-11-123, MCA; Eff. 12/31/72; AMD, 1984 MAR p. 931, Eff. 6/15/84.)

36.22.1244 PRODUCER'S CERTIFICATE OF COMPLIANCE A certificate of compliance for the transportation of oil and gas from a lease is required by the board to be filed on Form No. 13 in accordance with instructions thereon. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72; AMD, 1982 p. 1398, Eff. 7/16/82.)

36.22.1245 ILLEGAL PRODUCTION No person shall produce any crude oil, natural gas, or waste oil from any spacing unit or pool in this state except in accordance with the rules and orders of the board. (History: Sec. 82-11-111, MCA; IMP, 82-11-148, MCA; Eff. 12/31/72.)

Sub-Chapter 13
Abandonment, Plugging, and Restoration

36.22.1301 NOTICE AND APPROVAL OF INTENTION TO ABANDON REPORT (1) Before any work is commenced to abandon stratigraphic tests or any new well drilled in search of oil or gas, for salt water disposal, or for any other purpose related to oil field operations in which no casing has been run, other than surface pipe, the owner thereof shall give oral notice to and obtain approval from the Petroleum engineer or his authorized agent prior to commencing plugging operations. The Petroleum Engineer may

send an authorized agent to the location specified to witness the plugging operation. Within 15 days after final abandonment, the owner shall submit to the board on Form No. 2 a subsequent report of abandonment setting forth in such report the terms and conditions of the plugging and abandonment as approved orally by the Petroleum Engineer or his authorized agent.

(2) Before any work is commenced to abandon any well drilled in search of oil or gas, for salt water disposal, or for any other purpose related to oil field operations in which casing has been run, except surface pipe, the owner thereof shall give written notice to the board on Form No. 2 setting forth the method of plugging, the depths and number of plugs, and any other information required under ARM 36.22.1305 and 36.22.1309. Upon approval of such notice by the Petroleum Engineer or his authorized agent, the owner may proceed with plugging and abandonment operations. The Petroleum Engineer may send an authorized agent to the location specified to witness the plugging operations. Within 15 days after final abandonment, the owner shall submit a subsequent report of abandonment as required by ARM 36.22.1309. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1302 NOTICE OF ABANDONMENT The notice of abandonment required to be given to the surface owner by Section 82-10-401, MCA, shall be mailed to said surface owner or owners at their address as shown by the last completed assessment roll in the office of the County Assessor of the county in which the land is located. The notice shall be deemed complete when deposited in the U.S. mail with proper postage affixed. The regulation shall not be applicable to a dry hole drilled for any purpose whatsoever as such situation is covered by other regulations of this board. (History: Sec. 82-10-401, MCA; IMP, Sec. 82-10-401, MCA; NEW, Eff. 12/5/74.)

36.22.1303 WELL PLUGGING REQUIREMENT The owner shall not permit any well drilled for oil, gas, salt water disposal, or any other purpose to remain unplugged after such well is no conger used for the purpose for which it was drilled or converted, except that as long as the owner has other producing wells on the lease he may hold idle a well on the same lease for possible future use, unless the board shall find that such idle well or wells are causing damage to oil or gas reservoirs or fresh water supplies. When the last well on a lease is no longer capable of production because the underlying reservoir or reservoirs are depleted and there is no possible future use for the wells on the lease in supplemental recovery operations or for disposal facilities, the operator shall within 90 days thereof commence operations to plug and abandon all wells on the lease as set forth in this sub-chapter, unless otherwise authorized by the Petroleum Engineer or his authorized agent. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1304 PLUGGING METHODS AND PROCEDURE (1) All abandoned wells shall be marked with a permanent monument which shall consist of a piece of pipe not less than 4 inches in diameter and not less than 10 feet in length of which 4 feet shall be above the general ground level and the remainder shall be imbedded in cement or shall be welded to the surface casing. The top of the pipe must be sealed with a screw cap, cement plug, or other approved method.

(2) The owner shall inscribe on the marker pipe by welding or other suitable method the name of the well, the location (quarter section, section, township, and range), total depth, and elevation.

(3) At the request of the surface owner of a lease on which a well is to be plugged, the requirement for a marker set forth above may be waived. In this event, a plug or seal shall be placed in the hole in such manner as not to interfere with soil cultivation or other surface use. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

36.22.1305 EXCEPTION FOR FRESH WATER WELLS (1) When the well to be plugged, as required by ARM 36.22.1303, may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above the required sealing plug set below fresh water; provided, that written notification of such utilization and a release by use of Form No. 19 is secured from the landowner and filed with the board.

(2) Approval by the Petroleum Engineer or his authorized agent of the work done shall relieve the operator of further responsibility. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1984 MAR p. 931, Eff. 6/15/84.)

36.22.1306 APPROVAL FOR PULLING CASING AND RE-ENTERING WELLS (1) No casing shall be pulled from any well regardless of its status without first filing Form No. 2 and securing approval of the Petroleum Engineer or his authorized agent.

(2) No oil or gas well which has been plugged in accordance with these rules shall be reentered for any purpose without first filing Form No. 2 and securing approval of the Petroleum Engineer or his authorized agent. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72; AMD, 1988 MAR p. 1980, Eff. 8/30/88.)

36.22.1307 RESTORATION OF SURFACE The owner of any well drilled in search of oil and gas or the driller of a stratigraphic test or core hole or seismographic shot hole shall, as soon as weather or ground conditions permit, upon the final abandonment and completion of the plugging of any well or after a seismographic shot hole has been utilized, restore the surface of the location to its previous grade and productive capability and take necessary measures to prevent adverse hydrological effects from such well or hole, unless the surface owner agrees in writing, with the approval of the board or its representative, to a different plan of restoration. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72; AMD, Eff. 12/5/74; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1308 PLUGGING AND RESTORATION BOND (1) The board, except as hereinafter provided, shall require from any owner who proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state a good and sufficient bond on either Form No. 3 or Form No. 14 in the sum of $5,000.00 where one well is to be drilled to any depth or acquired payable to the state of Montana conditioned for the performance of the duty to properly plug each dry or abandoned well and to restore the surface of the location to its original contours insofar as such restoration is practicable, unless the owner of the surface requests otherwise and executes a release to that effect.

(2) It is further provided that where the owner is to drill or acquire more than one well the board shall require from such owner a good and sufficient bond on either Form No. 3 or Form No. 14, in the sum of $10,000.00 payable to the state of Montana and conditioned as provided for above. Upon acceptance and approval by the board, such bond shall be considered as being in compliance with the foregoing provisions. The board shall require an increase by appropriate rider of any bond from $5,000.00 to $10,000.00 or from $10,000.00 to $20,000.00 when in the opinion of the board the factual situation warrants such an increase in order for any owner to be in compliance with this rule.

(3) Said bond shall remain in force and effect until:

(a) The plugging and restoration of the surface has been approved by the board, or

(b) A new bond is filed by a successor in interest and approved by the board, or

(c) Application for release of well from bond on Form No. 21 is filed and the bond is released by the board.

(4) Transfer of property does not in itself release the bond. A notice of intent to change operator shall be filed on Form No. 20 by the new owner of any drilling or completed well. Said notice shall include all information required thereon and contain the endorsement of both the transferor and transferee. The transfer is not effective until approved by the board.

(5) Where the owner of the surface of land upon which one or more non-commercial wells have been drilled acquires the well for domestic purposes, the bond provided by the person who drilled the well will be released if said surface owner furnishes a property bond in the amount of $10,000 for a single well or $20,000 for more than one well on Form No. 18. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123, MCA; Eff. 12/31/72; AMD, 1977 MAR p. 549; Eff. 9/24/77; AMD, 1982 MAR. p. 855; Eff. 4/30/82; AMD, 1982 MAR p. 1398, Eff. 7/16/82; AMD, 1990 MAR p. 305; Eff. 2/9/90.)

36.22.1309 SUBSEQUENT REPORT OF ABANDONMENT (1) Within 15 days after the plugging of a well, the owner thereof shall file a subsequent report of abandonment with the board setting forth in detail the method used in plugging the well. Such report shall be made on Form No. 2 and shall give a detailed account of the manner in which the abandonment or plugging work was carried out, including:

(a) the nature and quantity of materials used in plugging;

(b) the location and extent (by depths) of the plugs of different materials;

(c) records of any tests or measurements made;

(d) the amount, size, and location (by depths) of casing left in the well; and

(e) a statement of the volume of mud used.

(2) If an attempt was made to part any casing, a complete report of the method used and the results obtained must be included. (History: Sec. 82-11-111, MCA; IMP, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

Sub-Chapters 14 and 15 Reserved

Sub-Chapter 16
Regulations to Implement the Natural Gas Policy Act

36.22.1601 WHO MAY APPLY FOR DETERMINATION Any person owning an interest in the production of gas from a well desiring a determination that natural gas from that well qualifies for a maximum lawful price as prescribed by the Natural Gas Policy Act of 1978 (NGPA) or desiring a change in an existing determination or desiring any other determination or finding authorized by the NGPA, may apply to the board. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA; EMERG, NEW, 1979 MAR p. 64 6/29/79; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1602 APPLICATION REQUIREMENTS AND CONTENTS (1) Duplicate original copies of all applications shall be filed in the Billings office of the board and one original copy shall be filed in the Helena office of the board. Applications shall be made on the forms prescribed by the Federal Energy Regulatory Commission (FERC) and board Form No. 15.

(2) All applications shall be executed so as to comply with the following:

(a) If the person filing an application under this rule is an individual, the filing shall be signed by such individual or, in the case of a minor or other legally disabled person, his duly qualified legal representative;

(b) If the person making such filing is a corporation, partnership, or trust, the filing shall be signed by a responsible official of the corporation, partnership, or the trustee of the trust;

(c) In the case of any other legal entity, the operator of the well may sign the application; and

(d) An operator under a joint operating agreement may sign an application for a well covered by the operating agreement if notice of the application is given by the operator to all other parties to the joint operating agreement and that fact is certified in the application.

(3) The applicant shall furnish, with the application original, photocopies or certified copies of all documents, technical data, and records relied upon to support its application. Copies of the board's official files and orders must be certified.

(4) The application shall contain information necessary to support the category or determination sought by the owner, including, but not limited to:

(a) the name and address of the operator of the well;

(b) the name and address of all non-operating owners;

(c) well identification, location by legal subdivision, township, and range, A.P.I. identification number, field and/or reservoir designation, if any;

(d) designation of the category or categories applied for and the specific NGPA sections relied upon;

(e) the supporting documents designated in ARM 36.22.1603 and in applicable FERC regulations as minimum requirements for each category or determination applied for;

(f) identification and addresses of all purchaser or purchasers of natural gas and, where State, Federal, or Indian mineral interests are involved, that information;

(g) a certificate of service indicating that copies of the application (less required supporting documents) have been served upon all working interest owners in the well or wells involved in the application and upon the department of state lands (if state owned mineral interests are involved) and upon all purchasers of gas from such well or wells; and

(h) names and addresses of all working interest owners and gas purchasers. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA; EMERG, NEW, 1979 MAR p. 648, Eff. 6/29/79; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1603 DOCUMENTS AND TECHNICAL DATA SUPPORTING APPLICATION (1) All applicants must comply with the minimum requirements imposed by the FERC from time to time in addition to those special requirements set forth herein. Additional documentation, technical data, or evidence may be required by the examiner.

(2) Special documentation required by the board.

(a) New Gas Determinations under Section 102, (No special documentation required.)

(b) 1,000 Feet Deeper Test. Directional drilling surveys shall be required only for wells which are purposely directionally drilled. However, if directional drilling surveys are voluntarily run, copies of the results thereof shall be submitted.

(c) New Onshore Reservoirs. Copies of any directional drilling surveys or dip meter tests available to the applicant on any of the wells in or within one mile of the new reservoir shall be filed with the application.

(d) New Onshore Production Wells Under Section 103. Copies of any statement provided by the petroleum engineer in any eligibility proceeding under ARM 36.22.606 or any other proceedings which modify the otherwise applicable spacing unit, such as board Orders authorizing multiple wells in a spacing unit, shall be provided with the application.

(e) High Cost Natural Gas Wells. (No special documentation required.)

(f) Stripper Wells Under Section 108:

(i) Application for Determination. (No special documentation required.)

(ii) Notice by an Operator or Purchaser of an Increase in Production. (No special documentation required.)

(iii) Determination of Increased Production Resulting From Enhanced Recovery Techniques. (No special documentation required.)

(iv) Designation that a Well is Seasonally Affected. (No special documentation required.)

(v) Determination of Maximum Efficient Rate. If the application is for determination as to whether the well produced at its maximum efficient rate, the application shall be accompanied by the results of all openflow, four point, back pressure, or other tests taken to ascertain the maximum efficient rate. The board may require such further testing as deemed appropriate. (History: Sec. 82-111-115, MCA; IMP, Sec 82-11-115, MCA; EMERG, NEW, 1979 MAR p. 648, Eff. 6/29/79.)

36.22.1604 DOCKET NUMBER Upon receipt of an application, the board will assign a docket number of a subsidiary docket number which identifies the case as one of the applications for NGPA determination for the month involved. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA, EMERG, NEW, 1979 MAR p. 648, Eff. 6/29/79.)

36.22.1605 LIST OF APPLICATIONS - PUBLIC ACCESS (1) A list in chronological order of receipt will be maintained by the board at both Helena and Billings showing the docket number or subsidiary docket number, the date of filing, the name of the applicant, the category or categories of determination applied for, and the location by section, township, and range of the well or wells to be considered in the determination.

(2) Such list shall be posted inside the board offices in Helena and Billings at a location readily available to the public. All applications and supporting documentation as well as the notice list shall be available for examination during normal business hours at both the Helena and Billings offices of the board. (History: Sec 82-11-115, MCA; IMP, Sec. 82-11-115 and Sec. 82-11-116, MCA; EMERG, NEW, 1979 MAR p. 648, Eff. 6/29/79)

36.22.1606 OBJECTIONS TO APPLICATIONS (1) Any interested person may submit objections to any application or express views thereon. Any expression of views is hereafter referred to as an objection. Objections must be in writing and may be supported by documentation and technical data in the same manner as the documentation and technical data submitted by the applicant. An objection notification must relate to one application and contain the following:

(a) the name and address of the objecting party;

(b) the docket number or subsidiary docket number with sufficient clarity to identify the application;

(c) reasons for the objection and reference to any documentation, data, or exhibits which objector is submitting with the objection and which objector asserts is proof of the reasons for the objection.

(2) All objections, together with any documentation and technical data, must be filed by the 20th of the month in which the finding or determination is to be made, or the next working day if the 20th falls on a weekend or holiday. Any amendment to the objection or supporting documentation or data not received by the deadline shall be returned to the objecting party. (History: Sec. 82-11-115, MCA; IMP, Sec, 82-11-115, MCA; EMERG, NEW MAR p. 648, Eff. 6/29/79.)

36.22.1607 DEADLINES FOR ACTION ON DETERMINATIONS (1) All applications for that month's determinations must be filed by the third working day of the month.

(2) On the fourth Tuesday of each month or on the following day if such day is a legal holiday, an examiner appointed by the board shall make preliminary determinations, whether positive or negative, based solely upon the application and any objections thereto timely filed during such month.

(3) Copies of the examiner's determination shall be mailed within two days of the date of the determination by ordinary mail to the applicant and to all objectors. (History: Sec. 82-11-115 MCA; IMP, Sec. 82-11-115, MCA, EMERG, NEW, 1979 MAR 6/29/79; AMD, 1981 MAR p. 1496, Eff. 11/13/81.)

36.22.1608 DEFICIENT APPLICATIONS (1) Any applications which are deficient because of the failure of the applicant to comply with any of the federal regulations or these rules shall be rejected by written notice to the applicant informing the applicant of the deficiencies, but retaining the application and supporting documentation.

(2) The application shall be reconsidered on the following months determination date if the deficiencies are timely corrected. If the deficiencies are not corrected by the date set for new filings the application shall be finally rejected and returned to the applicant. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA, EMERG, NEW, 1979 MAR p. 648, Eff. 6/29/79.)

36.22.1609 BOARD ACTION ON APPLICATIONS (1) If the application is unopposed and the preliminary determination by the examiner is positive, such determination when rendered shall become a final action of the board, and the examiner for the board shall give written notice to the Federal Energy Regulatory Commission within 15 days of the determination. Such notice shall consist of the following:

(a) a list of all participants in the proceeding as well as any persons who submitted or who sought an opportunity to submit written comments (whether or not such persons participated in the proceeding);

(b) a statement indicating whether the matter was opposed before the board;

(c) a copy of the application together with a copy or description of other materials in the record upon which the determination by the board was made; and

(d) an affirmative finding that the information contained in the notice to the Commission pursuant to this section includes all of the information required to be filed by the applicant under these regulations and 18 CFR Part 274 (Subpart B) of the Federal regulations and, in any case in which other materials in the record constitute portions of such information, a copy of those portions of the record.

(2) If the application was opposed or if the preliminary determination is a negative determination, the examiner shall withhold any notification to the Federal Energy Regulatory Commission until at least 20 days after the date of the preliminary determination, during which time the aggrieved party may solicit requests from two or more board members that the determination be reviewed by the board. Should two or more board members request a review, the preliminary determination shall not become final until the board shall have reviewed the matter at a regularly docketed de novo hearing and shall have issued its order. In accordance with Section 503(c)(4) of the NGPA, the board's final order shall not be subject to appeal or judicial review. Notice to the Federal Energy Regulatory Commission, as provided in Paragraph (1) of this Rule, shall be given within 15 days of the order by the board becoming final. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA; EMERG, NEW, 1979 MAR 6/29/79; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1610 SPECIAL FINDINGS AND DETERMINATIONS - NEW ONSHORE PRODUCTION WELLS UNDER SECTION 103 (1) Applications pursuant to 18 CFR Section 271.305(b) for a

finding that a well is necessary to effectively and efficiently drain a portion of the reservoir covered by the spacing unit which cannot be effectively and efficiently drained by an existing well within the spacing unit may either be treated as an application for such special finding by the examiner or be treated as a spacing exception application under Section 82-11-201, MCA, and be separately docketed and noticed for hearing before the board as a spacing exception application and, in addition, shall be included in the list of applications posted pursuant to Rule 36.22.1609, for the month in which the hearing on the application shall be held. The list of applications shall be appropriately noted to the effect that the matter will be heard by the board at its next regular hearing.

(2)(a) Applications pursuant to 18 CFR Section 271.305(c) for a determination that gas produced from a well drilled after February 19, 1977, and before January 1, 1979, qualifies for the Section 103 price because the board had explicitly or implicitly found prior to commencement of the drilling that the new well was necessary to effectively and efficiently drain a portion of the reservoir covered by the spacing unit, which portion of the spacing unit could not be effectively and efficiently drained by any existing well within the spacing unit, shall be accompanied by certified copies of all exhibits submitted to the board or to the Petroleum Engineer in connection with the hearing or the eligibility proceeding which preceded commencement of drilling or issuance of the drilling permit.

(b) Upon review of the application plus the previously submitted exhibits and the prior order or finding by the board or Petroleum Engineer, the examiner shall make a finding on whether the board or Petroleum Engineer had theretofor made an explicit finding that the drilling of the new well was necessary to effectively and efficiently drain a portion of the reservoir covered by the spacing unit which could not be effectively and efficiently drained by any existing well within the proration unit.

(c) An affirmative finding by the examiner shall constitute the geologic evidence to be demonstrated in compliance with 18 CFR Section 274.204(f) or any successor regulation.

(d) If the examiner's finding is negative, the determination on the original application shall be postponed until the following month, during which time the applicant may submit to the examiner a certified transcript of the oral testimony, if any, taken at the previous hearing. Notice by ordinary mail of the negative finding shall be given the applicant within 3 days of the issuance of the finding. If the transcript is not timely filed, the determination shall be negative. If the transcript is timely filed, the matter shall be reconsidered by the examiner at the ensuing month's regular NGPA determination date so as to ascertain whether the board or the Petroleum Engineer had made or could have made an explicit affirmative finding on the matter based on the evidence before it prior to commencement of drilling or issuance of the drilling permit. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA; EMERG, NEW, 1979 Eff. 6/29/79; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

36.22.1611 SPECIAL FINDINGS AND DETERMINATIONS - STRIPPER WELL PRODUCTION (1) Maximum Efficient Rate of Flow Determinations. The examiner is authorized to establish maximum efficient rates of flow from any gas well utilizing any criteria prescribed by FERC, or, if FERC has not prescribed criteria, the following:

(a) the well's open flow potential;

(b) the well's flow potential into the nearest pipeline with pressures lower than the well, if any;

(c) pressure analysis (bottomhole if advisable or wellhead);

(d) log and core analysis for formation thickness, permeability, etc.;

(e) reservoir fracturing whether natural or administered;

(f) reservoir model and analysis;

(g) other data which the examiner requires or considers pertinent.

(2) Seasonally Affected Wells. The examiner is authorized to make findings in accordance with 18 CFR Section 271.804(e)(2) that seasonal fluctuations of production from a well theretofore classified as a stripper well have not and cannot reasonably be expected to increase production levels above an average of 60 mcf per production day for any 12-month period. Such findings shall be based upon the reported history of production from such well plus analysis of any established maximum efficient rate of flow and any evidence of pressure differential which might cause temporarily increased production levels.

(3) Enhanced Recovery Techniques. The examiner is authorized to determine that an increase in production from a well theretofore classified as a stripper well is the result of the application of recognized enhanced recovery techniques. In the absence of controlling, federal regulations, or FERC interpretations, the examiner shall ascertain whether the particular enhancement technique involved in the determination is a recognized technique.

(4) General. The examiner shall treat any petition or application for determination that production in excess of an average of 60 mcf per production day for any 90-day production period was due to enhanced recovery techniques or to seasonal fluctuations as if it were an application for an initial determination under ARM 36.22.1601. (History: Sec. 82-11-115, MCA; IMP, Sec. 82-11-115, MCA; EMERG, NEW, 1979 MAR p. 64 6/29/79; AMD, 1982 MAR p. 1398, Eff. 7/16/82.)

SECTION H

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

STATE OF MONTANA
CLASS II
UNDERGROUND INJECTION CONTROL PROGRAM

MEMORANDUM OF AGREEMENT
FOR PROGRAM DELEGATION

BETWEEN

THE MONTANA BOARD OF OIL AND GAS CONSERVATION

AND

THE UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION VIII

OCTOBER 8, 1992

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
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MEMORANDUM OF AGREEMENT

I. INTRODUCTION

This Memorandum of Agreement ("Agreement") is entered into by the Montana Board of Oil and Gas Conservation ("Board") and the United States Environmental Protection Agency ("EPA") in connection with the Board's application to obtain approval of its Underground Injection Control Program for Class II wells ("Class II well program"), pursuant to Section 1425 of the Federal Safe Drinking Water Act, 42 U.S.C. Section 300h-4 (Supp. 1981). The Board and the EPA agree as follows:

II. Policies and Agreements

A. Administration of Program

The Board shall administer the Class II well program described in the program description submitted at the time of program approval. The number of employees necessary to administer the Class II well program will be consistent with funding and will be agreed upon by both parties in annual work plans.

B. Disclosure of Information

The Board shall make available to EPA, within a reasonable period of time, copies of any material in the Board's files related to the Class II well program. Requests for such materials shall be made in writing by EPA to the Board's Administrator. All photocopying and postage costs will be paid by EPA.

C. Inspection Authority

EPA may conduct independent inspections of the wells subject to the Class II well program, and of non-injection wells within the Board rule defined area of review (AOR). The EPA shall give the Board Administrator at least seven (7) working days advance written notification of all EPA inspections, and shall allow a representative of the Board to attend and observe such inspections. Copies of the EPA inspection results, including analytical tests and reports, shall be sent to the Board within a reasonable time after the EPA inspection.

D. Enforcement

1. The Board recognizes EPA's authority to take enforcement action under Section 1423 of the Federal Safe Drinking Water Act, 41 U.S.C. Section 300h-2 (Supp. 1981), in cases where, in the opinion of EPA, the Board fails to take timely and appropriate enforcement action.

2. Section 82-11-147, Montana Code Annotated (MCA), states that the Board may bring suit against any person who violates or threatens to violate any provision of the Montana Oil and Gas Conservation Act, Sections 82-11-101 et seq., MCA, or any rule or order of the Board. Pursuant to Sections 82-11-147 and 149, the Board may assess a civil fine of at least $75 and not more than $10,000 per day of violation, up to a maximum fine of $125,000, against person found to have violated such laws, rules, or orders.

   Section 82-11-148, MCA, also provides for criminal penalties of fines up to $10,000 per day, or imprisonment, or both, to any person who willfully violates any lawful rule or order of the Board, makes false entrys or statements in conjunction with Board reporting requirements, omits information in conjunction with Board reporting requirements, or removes, destroys alters or falsifies Board records. Only the Board may assess civil penalties, and only a Montana District Court may assess criminal penalties. A current Board policy concerning recommended civil fine amounts is attached as Exhibit "A".

3. The Board retained attorney is the appointed legal advisor to the Board. Pursuant to Section 82-11-150, MCA, the Board may also request legal assistance from the Attorney General of the State of Montana or the appropriate county attorney. In hearings relating to UIC enforcement matters, the Board's retained attorney advises the Board on points of law including, but not limited to, notice, personal service, rules and regulations of the Board, and procedures required by the Montana Administrative Procedures Act (MAPA).

4. Facilities on Federally-owned properties, Federally administered trust properties, and State-owned properties will be treated in the same manner as private facilities. This fact was established and approved in the application for primacy.

5. The 1986 Amendments to the Safe Drinking Water Act (U.S.C. 300h-2) make Federal enforcement in delegated states mandatory where a state fails to take appropriate enforcement action within thirty days after notice. In addition to the mandatory requirements of the Safe Drinking Water Act of 1986, EPA will consider taking direct enforcement action in the following cases:

   a. The Board requests EPA action;

   b. National precedent (legal or program);

   c. Violation of an EPA order or consent decree.

6. The Board will address instances of significant non-compliance (SNC) in a timely and appropriate fashion. "Significant non-compliance" means the final language established in a memorandum signed by Michael B. Cook, Director, Office of Drinking Water on December 4, 1986. A copy of Mr. Cook's memorandum is attached as Exhibit "B". Within ninety days of the time of an instance of SNC is identified the Board will take one of the following actions:

   a. bring the owner/operator of the Class II well into actual (physical) compliance through formal or informal enforcement action; or

   b. place the owner/operator on an enforceable compliance schedule to achieve future compliance; or

   c. initiate formal administrative or judicial enforcement action.

7. Section 1423 (a)(1) of the Safe Drinking Water Act requires that the Board be notified in advance of direct Federal enforcement action. In addition, the EPA Regional Administrator will give the Board at least seven (7) working day advance written

notice of any independent EPA inspection of Board regulated facilities. The EPA will allow the Board to attend and observe EPA inspections. Copies of the EPA inspection results, including analytical tests and reports, shall be sent to the Board within a reasonable time after the EPA inspection.

The EPA Region agrees to the following protocol when notifying the Board of an intended inspection or enforcement action:

The Water Management Division Director, or his or her designee, will telephone the Board Administrator at the Board's Billings Montana office, when a case is being considered, and will give the seven (7) day advance written notification required in Sections II (C) and (D)(7) of this Memorandum of Agreement. The Water Management Division Director, or his or her designee will also be responsible for sending copies of the EPA inspection results as required by Sections II (C) and (D)(7) of this Memorandum of Agreement.

E. Reporting

Reporting shall be made using the EPA-approved forms supplied by EPA at EPA's expense. The forms may be augmented by written narrative, if necessary, and must be submitted no later than forty-five (45) days after the end of the quarter.

1. Annual Reports. The Board must annually submit a report to EPA on the operation of the Class II well program. This report must include the data for the final quarter of the year. The fourth quarter (or "Annual Report") will consist of the routine quarterly report information as detailed in subsection (2) below, supplemented with the following:

   a. an updated inventory of Class II wells and their status;

   b. a summary of Grant Utilization (EPA Form 7520-5), if necessary;

c. a narrative description of the Board's implementation of the program. The annual narrative should be brief and should cover any major UIC program highlights, including statutory, regulatory, organizational, or policy changes; and

d. a brief summary of enforcement actions taken against Class II well owners/operators during the reporting period pursuant to the program, including the nature and amount of penalties or fines levied but withdrawn, penalties implemented, and fines collected.

2. Quarterly Reports. Quarterly reports must be submitted to EPA. The reports must include:

a. a tabulation of permit review and issuance;

b. a tabulation of compliance evaluation;

c. a tabulation of compliance evaluation of all instances of significant non-compliance; and

d. a tabulation of inspections and mechanical integrity testing performed, and the results thereof.

F. Aquifer Exemptions

The criteria and procedures employed in the designation of exempted aquifers pursuant to Board Rule 36.22.1414, Administrative Rules of Montana (ARM), shall be consistent with the criteria and procedures employed in the designation of exempted aquifers in the State of Montana by EPA in its administration of an Underground Injection Control Program for Class I, II, III, IV, and V wells.

When in receipt of a request for an aquifer exemption, the Board agrees to provide EPA with the Board's notice of aquifer exemption, an aquifer exemption justification statement supplied by the applicant, and a plat showing the area to be exempted. This information is to be provided to EPA at least twenty (20) days prior to the Board taking action on the proposed exemption. EPA

agrees to review the information and to provide the Board a written interim opinion prior to the close of the public comment period. EPA agrees to attend all public hearings on exemption applications, and to comment on aquifer exemption proposals.

In the event EPA objects to a proposed aquifer exemption, EPA agrees to submit a written final opinion within ten (10) or more working days prior to the date of any public hearing on the exemption. EPA's final written opinion must state the reasons for its objection and must be supported with the technical information on which the EPA bases its objection.

The EPA and the Board will attempt to resolve the EPA's objections before any aquifer exemption is issued by the Board. In the event a resolution is not reached prior to Board action on the exemption, the EPA may formally request a rehearing, or may appeal any final Board order to the appropriate Montana District Court. All requests for rehearing or appeals must be pursued in accordance with Montana law.

The Board will limit aquifer exemptions to Class II operations.

G. Alternate Mechanical Integrity Tests

The Board must administer the use of mechanical integrity tests (MIT) in accordance with the requirements of Rule 36.22.1412, ARM. The Board shall have the authority to grant less stringent MIT programs as an exception to Rule 36.22.1412, ARM, after notice and hearing. The Board will give EPA notice of any such request for an exception at least twenty days prior to the public hearing on the matter. EPA agrees to attend all public hearings on MIT exception applications, and to comment on the application.

In the event EPA objects to a proposed exception to the MIT requirements of Rule 36.22.1412, ARM, EPA agrees to submit a written final opinion within ten (10) or more working days prior to the date of any public hearing on the exception. EPA's final written opinion must state the reasons for its objection and must be supported with the technical information on which the EPA bases its objection.

The EPA and the Board will attempt to resolve the EPA's objections before any MIT exception is issued by the Board. In the event a resolution is not reached prior to Board action on the exception, the EPA may formally request a rehearing, or may appeal any final Board order to the appropriate Montana District Court. All requests for rehearing or appeals must be pursued in accordance with Montana law.

H. Mechanical Integrity Testing

Board personnel must be present to witness at least twenty-five percent (25%) of the Montana UIC program mechanical integrity tests (MIT) for which the Board receives adequate advance notice of testing.

I. Disclosure of Mechanical Integrity Test Results

The Board must retain the results of all mechanical integrity tests (MIT) for the public records retention time specified by Montana law. Copies of MIT's will made available to EPA upon request and at the sole expense of the EPA.

J. Notification of Rule or Regulation Changes

Any rule changes or Board-sponsored statutory changes that would impact the operation of the currently approved UIC program must be provided to the EPA for review. Proposed rule changes will be made available by the Board to EPA at the time the proposed rules are first published in the Montana Administrative Register for public comment. Board-sponsored statutory changes will be made available to EPA in draft form prior to submission to the Montana Legislature. In either case, EPA will be afforded a reasonable opportunity for review and comment. EPA may endorse or protest any proposed rule or statutory change in a manner allowed by Montana law.

K. Effective Date

This agreement is effective when signed by the designated representative of both agencies.

MONTANA BOARD OF OIL AND GAS CONSERVATION

_____ _____

Thomas P. Richmond
Administrator/Petroleum Engineer

Date

UNITED STATES ENVIRONMENTAL
PROTECTION AGENCY

_____ _____

James Scherer
Regional Administrator, Region VIII

Date

EXHIBIT "A"
PENALTY POLICY

The Board is authorized to levy civil penalties in any amount allowed by Section 82-11-149, MCA. The Board administrator may levy administrative civil penalties of $75 to $250 per day of violation, subject to review by the Board, if such review is requested by the penalized party. Only a Montana District Court may levy criminal penalties under Section 82-11-148, MCA. The amount and nature of penalties is proscribed by Montana law. Factors to be considered by the Board in assessing penalties include, but are not limited to, the following:

1. The penalty should be reasonable and appropriate with regard to the seriousness of the violation and the compliance record of the penalized party;

2. The penalty should be large enough to deter the penalized party and others from future acts of noncompliance;

3. The penalty should be implemented or collected, except in instances of Board mistake or excusable neglect on the part of the penalized party;

4. Subsequent correction of the violation will not automatically rescind or excuse the penalty;

5. Repeat offenders may incur incrementally larger penalties for subsequent violations;

6. The penalty should be in amount necessary to at least recover the State of Montana's expenses in inspecting, investigating, and in bringing the enforcement action, including, but not limited to, the expenses associated with the time expended by state employees;

7. Penalty assessment should be consistent in an effort to provide fair and equitable treatment of the regulated community.

The following are Board guidelines for recommended penalties. The guidelines presented here are for informational purposes only and are not meant to bind the Board to a course of action, or to cover all possible situations.

ADMINISTRATIVELY LEVIED CIVIL PENALTIES
(Levied by the Board Administrator)

$75 TO $250 RECOMMENDED FINE

The Board Administrator may levy a civil penalty in any amount of between $75 and $250 per day of minor violation. A minor violation includes, but is not limited to, late filing of reports, failure to respond to a request for information, failure to post well signs, or failure to control weeds. The Board may increase the amount of the penalty for a minor violation if a hearing becomes necessary or in cases of repeated violations. The penalized party may petition the Board for a public hearing to re-consider an administratively levied fine.

BOARD LEVIED CIVIL PENALTIES
(Levied by the Board of Oil and Gas Conservation after notice and hearing)

$75 TO $1,000 RECOMMENDED FINE

The Board may levy a civil penalty in any amount of between $75 to $1,000 per day of violation for multiple minor violations, or first time serious offenses, as long as the penalized party made a timely response to the Board's inquiries concerning the violation. A serious offense for purposes of these guidelines is any violation of a Board statute or rule for which there is a reasonable probability that waste of oil or gas has occurred or will occur, correlative rights have been violated or will be violated, or any other offense of a serious nature as determined by the Board.

$1,001 TO $5,000 RECOMMENDED FINE

The Board may levy a civil penalty in any amount of between $1,001 to $5,000 for the violation of a Board order, for a second serious offense, for willful disregard of Board inquiries, statutes, rules or orders, willful pollution, or failure to promptly remedy and clean-up a pollution-causing situation. Pollution is defined in Section 82-11-101, MCA, for purposes of these guidelines.

$5,001 TO $10,000 RECOMMENDED FINE

The Board may levy a civil penalty in any amount of between $5,001 to $10,000 for multiple previous situations indicating willful disregard for the Board's statutes, rules, or orders,

or for a serious pollution situation which endangers a USDW or the life or health of a person or persons.

In addition to the above, either the Board or the Board Administrator may impose such further operational requirements as may be appropriate including, but not limited to, increased bonding, well shut-in, additional reporting requirements, or the denial of a change of operator request. The Board may also institute criminal proceedings pursuant to Section 82-11-148, MCA.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

DEC 4 1986

OFFICE OF WATER

MEMORANDUM

SUBJECT: UIC Program Definition of Significant Noncompliance

FROM: Michael B. Cook, Director
Office of Drinking Water

TO: Water Management Division Directors
Water Supply Branch Chiefs
State Directors

Background

Over the past 13 months, we have been working to develop a definition of what shall constitute "significant noncompliance" (SNC) for the UIC program. This effort began with a meeting in Denver in October 1985 and has continued to date with discussions at the UIPC Winter Meeting in Orlando in January, the UIPC Summer Meeting in San Antonio, the National Branch Chiefs Meeting in Seattle in September and at a UIPC/EPA SNC Meeting in Dallas in October.

The initial definition of SNC was sent to the Regions in March 1986 and was incorporated into the Office of Water's FY 1987 Accountability System and Mid-Year Evaluation Guide. Discussions of the SNC definition after March centered on guidance language that was meant to set out certain criteria for the Director to consider in determining SNC for certain MIT failures and operations over authorized pressure limits.

We have now finished these discussions and reached agreement on a definition of SNC which differs only slightly from the March 1986 version and introduced a new concept of non-SNC violations and how to deal with them.

EXHIBIT "B"

H - 12

RECEIVED
DEC 10 1986
EPA REGION VIII
DRINKING WATER BRANCH

Significant Noncompliance Definition

The definition of significant noncompliance (SNC) for the UIC program consists of the following:

I. Violations as described in Section 144.8(a) and on EPA Form 7520-4 (6-83) by the owner/operator of a Class I or a Class IV well.

II. The following violations by the owner/operator of a Class II, III or V well:

A. Any unauthorized emplacement of fluids (where formal authorization is required);

B. Well operation without mechanical integrity (MI) which causes the movement of fluid outside the authorized zone of injection if such movement may have the potential for endangering a USDW;

C. Well operation at an injection pressure that exceeds the permitted or authorized injection pressure and causes the movement of fluid outside the authorized zone of injection if such movement may have the potential for endangering a USDW;

D. The plugging and abandonment of an injection well in an unauthorized manner; [Note: This includes the "walking-away-from" responsibility to plug and abandon a well. These wells will be SNCs if there is endangerment of a USDW and there is an identifiable owner/operator. Appropriate action in those instances where no owner/operator can be identified remains unresolved and will be part of future MOAs between the States and EPA.]

E. Any violation of a formal enforcement action, including an administrative or judicial order, consent agreement, judgment or equivalent State action;

F. The knowing submission or use of any false information in a permit application, periodic report or special request for information about a well.

Guidance

Under II B, C and D of the SNC definition, it will be the Director's decision as to whether or not the noncompliance could result in endangerment. In making that decision, the Director shall be guided by the following:

In order that a decision is effectively supported and able to be documented, the Director shall take into consideration the following criteria when determining whether or not an MI test failure or the operation of an injection well above the permitted injection pressure represents an endangerment of a USDW. The criteria may be considered singly or in combination, as appropriate.

1. The presence/absence and location of a USDW.
2. How may levels of protection are there? How many have been breached? (This relates solely to well construction).
3. The quality of the injected fluid and the USDW.
4. Operational and geological experience in the adjacent area.
5. Well logs or additional logs.
6. Thickness of intervening layers.
7. Extent of the MIT failure.
8. Location of the MIT failure.
9. Injection pressure and rate (volume) and formation pressure.
10. The type of well - Salt Water Disposal or Enhanced Recovery?
11. Hydrogeological conditions.
12. Cementing records - bond logs.

While the responsibility for demonstrating that the noncompliance does not have a potential to endanger a USDW rests with the owner/operator, the Director may utilize information available from public records or from information submitted by the injection well owner/operator to make his decision.

Non-Significant Noncompliance (NSNC)

For injection wells that fail the mechanical integrity test or are found injecting at excessive pressure but are not considered to be SNC because of the above listed criteria, the Director will negotiate an agreement with the Region on taking appropriate action against the owner/operator according to the following guidelines:

1. A specific percent of wells in each State failing MI or found over pressure would have to come into compliance within 90 days of discovery of the failure. The percentage range discussed in Dallas was from 75 to 90 percent with the final number negotiated between the State and Region with Headquarters review.

2. State shall report quarterly the number or percentage of NSNC wells brought into compliance within 90 days.

3. The Regional Office and the State would agree on the variety of actions which the State would take to bring the remainder into compliance within a set period. Two years was a period suggested although not made final.

Reporting

The above referenced SNC definition is to be used for Federal reporting by approved State and Direct Implementation (DI) UIC programs beginning with the first quarter of FY 1987, October 1, 1986. Reporting of non-SNC MI failures and operation over pressure limits is to begin with the second quarter of FY 1987, January 1, 1987. Regions should begin immediately to negotiate with their States on the percentage of non-SNC wells brought into compliance within 90 days of discovery of the failure and the acceptable actions and time period for bringing wells that remain in noncompliance after 90 days into compliance.

Endangerment Criteria Examples

We are requesting that you provide us with examples of pass/fail conditions for each of the 12 endangerment criteria listed in the SNC definition. Specifically, we would like you to cite examples from your experience of instances where you would consider a well to be SNC or non-SNC based on one or more of the 12 listed criteria. Please send your examples to Tom Belk at Headquarters by December 19, 1986.

Additionally, please indicate what you consider to be a reasonable percentage of non-SNC wells to take appropriate action against in a 90 day period, and how long is reasonable to take action against any remaining wells. Ninety days, six months, one year, two years? If you require any clarification on this request please call Don Olson at FTS 382-5558.

After receipt of your comments we will summarize the cited endangerment/non-endangerment examples and incorporate them as a supplemental guidance. If necessary, we may discuss these examples and the time frame for dealing with non-SNC violations at the Winter UIC Meeting in Santa Fe.

cc: UIC Section Chiefs
Michel Paque, Director, UIPC

SECTION I

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

MEMORANDUM OF UNDERSTANDING

BETWEEN THE BUREAU OF LAND MANAGEMENT (BLM) AND THE MONTANA BOARD OF OIL AND GAS CONSERVATION (BOGC)

FOR THE PURPOSE OF IMPLEMENTING THE UNDERGROUND INJECTION CONTROL (UIC) PROGRAM FOR CLASS II WELLS UNDER BLM JURISDICTION IN THE STATE OF MONTANA

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

MEMORANDUM OF UNDERSTANDING
BETWEEN THE BUREAU OF LAND MANAGEMENT (BLM)
AND
THE MONTANA BOARD OF OIL AND GAS CONSERVATION (BOGC)

FOR THE PURPOSE OF
IMPLEMENTING THE UNDERGROUND INJECTION CONTROL (UIC) PROGRAM
FOR CLASS II WELLS UNDER BLM JURISDICTION IN THE STATE OF
MONTANA

TABLE OF CONTENTS

	Purpose	2
	Authorities	2
	Definitions	2-3
I.	Cooperative Procedures	
	A. BLM Agrees	3-4
	B. BOGC Agrees	4-5
	C. BLM and BOGC Agree	5-6
	Notice to Lessees (NTL)-MSO-1-84 Federal & Indian Operator Requirements and attachments	Appendix 1
	BOGC Letter to Oil & Gas Operators and attachments	Appendix 2

Purpose:

The purpose of this Memorandum of Understanding (MOU) is to assure coordination between BLM and BOGC concerning permitting, inspection and plugging procedures for Class II wells under BLM jurisdiction in the State of Montana. This MOU serves to define responsibilities and functions of each agency, as they relate to the other agency, and the applicable authorities for the same. This MOU falls within the guidelines and directions provided the BLM in WO IM-83-631.

Authority:

Mineral Leasing Act - 1920 (30 U.S.C. 181)
Safe Drinking Water Act of 1974 as amended
40 CFR, parts 124, 144, 146, 147
43 CFR, part 3160
25 CFR; Indians
Applicable Onshore Orders and NTLS

Sections 82-11-103, 111, 112, and 137, Montana Code Annotated; 36.22.1401 et seq., Administrative Rules of Montana.

Definitions:

1. Class II wells - Wells which inject fluids:

   a. Which are brought to the surface in connection with conventional oil or natural gas production and may be commingled with waste waters from gas plants which are an integral part of production operations, unless those waters are classified as a hazardous waste at the time of injection. These types of wells are commonly referred to as Produced or Salt Water Disposal Wells (SWD wells).

   b. For enhanced recovery of oil or natural gas; and

   c. For storage of hydrocarbons which are liquid at standard temperature and pressure.

2. New Well - For purposes of this MOU, a new well is a well which an Application for Permit to Drill (APD) has been filed for the purpose of injecting fluids under one of three classifications defined above for Class II wells.

3. Conversion Well - For purposes of this MOU, a conversion well is a well for which an application has been submitted that proposes a change in current well status to one of the three types of Class II wells defined above. (Note: Under BOGC regulations, wells under this definition of conversion would technically be considered as "new" wells.)

4. Existing Well - For purposes of this MOU, an existing well is a well that falls under one of the three categories as previously defined for Class II wells as of the date of March 1, 1991.

Part I - Cooperative Procedures

A. The BLM Agrees:

1. To issue a Montana State Official Notice to Lessees (NTL) within 180 days of the effective date of assumption of primacy of the UIC program for the EPA. The NTL will provide guidance to Federal lessees and operators within the State of Montana on the permitting of injection wells for disposal or enhanced recovery on federal and Indian mineral estates. The final issued NTL will replace Appendix 1 of this MOU, NTL-MSO-1-84, "Federal and Indian Operator Requirements". In the interim, a public notice will be issued throughout the state of Montana within 30 days of the above effective date, to inform the public of this change in policy.

2. Upon receipt of an APD for a Class II well, process the application per the requirements of Onshore Oil & Gas Order #1 (00#1). Sundry Notices for conversion of producing wells to Class II wells will be processed in a timely fashion (normally 30 days or less).

3. To provide a copy of the entire APD, Sundry Notice, and any subsequent information requested by the BLM to the -

Montana Board of Oil and Gas Conservation
2535 St. Johns Avenue
Billings, Montana 59102

Such information includes, but is not limited to, cover sheets of applications to notify BOGC of permit initiation; pertinent geologic data; past or

present casing/pressure/production (injection) histories; notices of incomplete applications and permit denials; and, nonconfidential data requested by BOGC or BLM.

4. To attach notification and stipulation statements to approved APD or Sundry Notice as follows:

Notice

Receipt of this approval does not constitute BOGC approval for subsurface injection. Facility construction and injection cannot occur until approval has also been received from the BOGC pursuant to 36.22.601 or 36.22.1403 of the Administrative Rules of Montana.

Stipulation

Any changes from this approved permit require re-submittal via new APD or Sundry Notice, as appropriate, and issuance of a new BLM approval prior to commencement of operations.

5. Send copies of all approval actions involving Class II injection wells on federal and Indian mineral estate to the BOGC Technical and Southern Field Office in Billings, Montana.

6. To notify BOGC of all enforcement actions on Class II injection wells on federal and Indian mineral estate concurrent with operator notification.

7. To provide BOGC with maps delineating BLM district office jurisdictions, and the addresses and titles of their authorized officers.

8. To regulate all surface facilities, pits, pipelines, storage tanks, or other surface equipment associated with a Class II injection well in a manner which meets or exceeds BOGC or Federal regulatory requirements, whichever is more stringent.

B. The BOGC Agrees:

1. To notify all operators of existing Class II wells, within 30 days of the effective date of Title 36, Chapter 22, Sub-chapter 14 of the Administrative Rules of Montana, which implement the BOGC Underground Injection Control (UIC) program and its

requirements. This notification will become Appendix 2 of this document.

2. To process permit applications in a timely manner and in accordance with time frames developed by BOGC policy.

3. To provide all pertinent information to BLM that may be beneficial to BLM's permitting process. Such information includes but is not limited to cover sheets of applications to notify BOGC of permit initiation; pertinent geologic data; past or present casing/pressure/production (injection) histories; notices of incomplete applications and permit denials; and, nonconfidential data requested by BOGC or BLM.

4. To attach a notification to any permit issued for all federal or Indian mineral injection wells. Such shall read as follows:

NOTICE

> Receipt of this approval does not constitute BLM approval for subsurface injection. Applicant needs to contact BLM to determine if changes need to be made to the BLM permit.

5. To conduct inspections of injection facilities in accordance with all applicable regulations and guidances. BOGC will notify BLM of any problems identified during the inspections that fall within the jurisdiction of BLM.

6. To notify BLM of all enforcement actions on injection (disposal or enhanced recovery) wells on federal or Indian mineral estate.

C. The BOGC and BLM Agree:

1. In all cases involving federal or Indian lands, a Notice of Intent to Abandon and a Subsequent Report of Abandonment will be filed with both the BOGC and the BLM by the operators on BLM approved forms. The BLM will approve a Plugging and Abandonment (P&A) plan which meets or exceeds the plugging and abandonment requirements of the BOGC or Federal rules governing Class II injection wells, whichever is more stringent. The BLM will send a written copy of the approved plugging and abandonment program to the Billings BOGC office. BLM will notify BOGC if the responsibility to plug the well

has been transferred to other agencies.

2. By regulation, both agencies have separate bonding or other financial responsibility requirements for plugging and abandoning Class II type wells covered in this MOU. Cooperative exchanges of information prior to either agency releasing its corresponding bond will occur. This will help to promote the objectives of each agency in achieving appropriate compliance.

3. To exchange information necessary to provide effective field administration. This information may include related field area applications or approvals and copies of various field related compliance actions.

4. To promote sharing of information through electronic interface where practical.

5. To meet jointly, as necessary, for discussion of matters relating to underground injection administration under the MOU.

6. That each and every provision of this MOU is subject to applicable laws of the United States and of the State of Montana and to the rules and regulations promulgated thereunder.

7. That in the event an environmental assessment, environmental impact statement, or other environmental review is required concerning an individual Class II injection well, the BOGC will be the lead agency and the BLM a cooperating agency in any such review.

Amendment

This agreement can be amended in writing subject to the approval of all parties concerned.

Withdrawal

Any party may withdraw from this agreement after 30 days written notice to the other parties.

Obligations

Nothing in this MOU shall be construed as obligating the BLM (and the United States Government) or BOGC (and the State of Montana) in the expenditure of funds or for the future payment of money in excess of appropriations authorized by federal or

state law.

APPROVED:

Robert N. Lawton
State Director
Bureau of Land Management
Billings, Montana

10-28-91
Date

Warren A. Ross
Chairman
Montana Board of Oil and Gas
Conservation

8/6/91
Date

Notice To Lessees
NTL-MSO-1-84

Bureau of Land Management
Montana State Office

Federal and Indian Operator Requirements

This document provides guidance to lessees and operators of existing Class II (as defined in 40 CFR), and future operators of new Class II wells for injection of produced water into the subsurface for disposal or enhanced recovery purposes. The requirements of this Notice to Lessees (NTL) apply to federal and Indian Trust lands within the State of Montana. This notice is issued pursuant to the Environmental Protection Agency (EPA) Underground Injection Control Regulations (40 CFR Parts 124, 144, 146, 147, effective May 1, 1984), and a Memorandum of Understanding between the Montana State Office of the Bureau of Land Management (BLM) and the Region VIII EPA office for injection operations on federal and Indian land in the State of Montana.

New Class II Injection Wells (Including Conversion of Existing Production Wells to Injection)

EPA Requirements	BLM Requirements
Submittal of EPA Form 7520-6, Underground Injection Control Permit Application, (copy enclosed) and appropriate data attachments.	Application for Permit to Drill (new wells) or Sundry Notice (conversion wells) (Forms 3160-3 or 3160-5 respectively, copies enclosed) and appropriate data attachments.

Operators are advised that data and plan submittals shall be consistent in overall content. Application format may differ to satisfy EPA requirements (see 40 CFR Parts 124, 144, 146, 147) and BLM requirements (see 43 CFR Part 3160 and Onshore Order #1).

Applicants for underground injection wells on federal or Indian Trust lands are advised that both EPA and BLM approvals must be obtained prior to commencement of injection operations. A notice will be attached stating such to all BLM-approved APDs and Sundry Notices for injection.

Operators are advised that they must hold a valid existing oil and gas lease (or special BLM permit) to inject for purposes of disposal or secondary recovery on federal or Indian Trust mineral estate.

Existing Class II Injection Wells

EPA Requirements

Existing enhanced recovery wells are authorized by rule and no permit is required unless the operator disputes the rule requirements or EPA dictates a permit will be needed. All monitoring, reporting, integrity requirements, plugging and abandonment plan requirements and financial responsibility requirements must be met. Existing disposal wells are authorized by rule until they are notified by EPA to apply for a permit, on a schedule arranged by EPA, sometime during the first five years of the EPA program. All monitoring, reporting, plugging and abandonment plan requirements and financial responsibility requirements must be met during the authorized by rule period.

BLM Requirements

No new permit is needed unless a change occurs as proposed by the operator or mandated by EPA. If change occurs a Sundry Notice (Form 3160-5) must be filed per the above discussion.

Operations

Operators must file with BLM monthly reports of operations (form 3160-6) showing all wells on the lease, the status thereof, and the volume of oil, gas and water produced (or in the case of a service well injected). EPA reporting requirements are detailed in 40 CFR Parts 124, 144, 146 and 147. Both EPA and BLM reporting and monitoring requirements must be met.

Abandonment of Class II Injection Wells

EPA will approve operator abandonment procedures at the time a well is permitted. BLM will approve operator abandonment procedures at the Notice of Intention to Abandon (NIA) stage, usually just prior to actual plugging.

The operators should integrate EPA's plugging program with BLM's plugging requirements. In all cases a Notice of Intent (NIA) to Abandon and Subsequent Reports of Abandonment are to be filed with the BLM by all operators of federal or Indian oil and gas leases (See BLM Onshore Oil and Gas Operating Order #1).

Bonding Requirements

Both agencies require separate bonding or other financial responsibility requirements for plugging and abandoning Class II type wells.

SECTION J

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

MONTANA BOARD OF OIL AND GAS CONSERVATION

QUALITY ASSURANCE PROJECT PLAN

FOR

UNDERGROUND INJECTION CONTROL PROGRAM

DATE: October 8, 1992

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
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BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

Section: 1.0 Revision: 1

Date: 10/08/92

Quality Assurance Project Plan
for
Underground Injection Control Program

ENDORSEMENTS\APPROVALS

Thomas P. Richmond, Administrator Montana Board of Oil and Gas Conservation	Date
Paul Osborne, Project Officer U. S. EPA, Region VIII	Date
Rick Edmunds, Quality Assurance Officer U. S. EPA, Region VIII	Date

Section: 2.0 Revision: 1

Date: 10/08/92

CONTENTS

		PAGE
1.0	ENDORSEMENT/APPROVAL	1
2.0	TABLE OF CONTENTS	2
3.0	INTRODUCTION	3
4.0	PROJECT DESCRIPTION	4
5.0	ORGANIZATION AND RESPONSIBILITY	5
6.0	DATA QUALITY OBJECTIVES	6
7.0	SAMPLING PROCEDURES	7
	WATER SAMPLES - GENERAL GUIDELINES	
	PITS AND TANK SAMPLES	
	SAMPLING AND ANALYSIS PLAN REQUIREMENTS	
	SAMPLE PRESERVATION AND HANDLING	
8.0	CHAIN OF CUSTODY CONTROL	9
9.0	CALIBRATION PROCEDURES AND FREQUENCY	10
10.0	ANALYTICAL PROCEDURES	10
11.0	QUALITY CONTROL CHECKS	11
12.0	PERFORMANCE AND SYSTEM AUDITS	11
13.0	CORRECTIVE ACTION	11
14.0	REPORTS TO MANAGEMENT	11
ATTACHMENT I	REFERENCES FOR SAMPLING	12
ATTACHMENT II	REFERENCES FOR ANALYTICAL PROCEDURES	13

Section: 3.0 Revision: 1

Date: 10/08/92

3.0 INTRODUCTION. Amendments to the Environmental Protection Agency (EPA) General Grants Regulations (40 CFR Part 30) Require all State agencies which receive financial assistance to implement a Quality Assurance (QA) Plan. Montana is a primacy State for the UIC Program for Class II wells and as such, Federal regulations 40 CFR 30.503(e), 146.13(b)(1) and 146.33(b)(1), and Section 1425 of the Safe Drinking Water Act are relevant to Montana's Underground Injection Control (UIC) QA Plan. Federal regulation 40 CFR 30.503(e) requires that the State prepare a Quality Assurance (QA) Plan for environmental measurements.

It is required that each operator comply with all requirements of this Quality Assurance Project Plan.

4.0 PROJECT DESCRIPTION The Montana Board of Oil and Gas Conservation (MBOGC) has primacy for the regulation of Class II injection wells in Montana. This document describes MBOGC's Quality Assurance plan.

The purpose of this project is to provide guidance for operators of exploration and production facilities within the State of Montana to assist them in formulating effective sampling programs and procedures when necessary or required by the Montana Board of Oil and Gas Conservation.

There are no starting or ending dates specific to this program. This is an on-going program that is very dynamic. The MBOGC may amend this plan at any time. The operator should consult with an environmental contractor or laboratory for the latest information pertaining to acceptable QA/QC procedures.

It is the operator's responsibility to determine the number and location of samples required for any analytical determination of contaminants within a producing facility to satisfy requirements of MBOGC regulations.

5. PROJECT ORGANIZATION AND RESPONSIBILITY

The following depicts the project organization for the Montana Class II UIC Program along with positional responsibilities:

The Montana Board of Oil & Gas Conservation and Board Administrator	Responsible for the setting of policy in UIC matters.
UIC Program Manager	Responsible for the permitting of injection wells and day-to-day program operations.
Environmental Coordinator	Responsible for monitoring environmental matters and enforcement of USDW protection measures.
Secretary III	Responsible for preliminary review of all forms received, updating inventory, filing and typing.
Chief Field Inspector	Responsible for conducting site inspections and witnessing mechanical integrity tests in the State.
Field Inspectors	Responsible for on-site well inspections and mechanical integrity test compliance.
EPA-Region VIII State Project Officer	Responsible for QA/QC oversight.

6.0 QA DATA QUALITY OBJECTIVES

The following represents the Board's objectives for measurement of data:

Precision - a goal of plus or minus 20 percent is established for sampling precision. Sampling precision will be evaluated using duplicate field samples. Duplicate field samples will help establish precision among different samples collected from the same site. Splits of the same samples will provide a measure of precision within that sample (sample homogeneity).

Accuracy - accuracy limits specified for each of the analytical measurement parameters are specified in various EPA methods and procedures.

Completeness - is a measure of the amount of valid data obtained compared to that which was expected. A goal of 90 percent completeness is established for results obtained under this plan.

Representativeness - The field and laboratory sampling techniques and procedures are designed to ensure that a representative sample or portion thereof was used to generate the analytical data.

Comparability - the data reported from the laboratory will be in units /consistent with other reporting organizations. All date in a particular data set must be obtained by the same methods to insure comparability of results.

7.0 SAMPLING PROCEDURES All water samples collected for the UIC program will be collected using common oil field methods, or other approved methods as applicable depending on the type of sample being taken. Because of the diversity of sampling conditions, a sampling work plan will need to be formulated on a case by case basis. Most water samples will come from drill stem testing, swab testing or directly from injection lines or storage tanks. Common accepted methods for taking these samples can be found in the references listed. The minimum standards specified in the "API Recommended Practice for Analyses of Oil Field Waters" API Report 45 must be met.

Review all existing information including inspection files, laboratory studies, correspondence, etc. The nature of the product or contaminants, the history of sampling results, the appropriate ASTM sampling method will determine the number and location of samples, the sample parameters, and the necessary equipment for the sampling work plan.

Coordinate with the Board staff to maximize the reliability of the results, avoid duplication of work and maintain good communications.

Visually inspect the sampling locations and analyze media with field instruments (Ph and conductivity meters, thermometer, resistivity meter, etc.) prior to sampling in order to verify previous formulated sampling strategy.

The above guidelines are utilized to varying degrees depending on the sampling situation.

Sampling Strategies for Various Receptacles.

Wellhead Sampling

Wellhead sampling such as swab testing, must be done in a manner to assure that the source has been sufficiently flushed of foreign waters prior to taking the sample.

Tanks and Pits

Sampling considerations. If stratifications are known or suspected, samples will be taken in a distribution proportionate to the layered volumes. If access to the tank is restricted, samples taken will not be considered representative unless the contents are known to be homogeneous, or unless samples are taken in a distribution proportionate to layer volumes while the tank is being emptied.

The typical stratification in pits is generally in a configuration of:

1. Surface fluids, i.e., less dense fluids floating or accumulated on the surface of more dense fluid such as oil, grease or emulsions on water;

2. An intermediate layer of more dense fluids such as produced water;

3. Pit bottom sludges including mixtures of oil and chemical emulsions and soils.

A representative sample of the fluids will be taken using one of the following pieces of equipment. Samples of the pit bottom sludges shall be taken and analyzed separately from liquid portions of the pit contents.

Equipment used for sampling tanks and pits include weighted bottles or pond dipper.

SAMPLING AND ANALYSIS. A sampling and analysis plan will be developed which includes the following procedures:

1. sample collection;
2. sample preservation and handling;
3. chain-of-custody control;
4. analytical procedures;
5. field and laboratory quality assurance and quality control (QA/QC).

Also, the following records shall be kept for each sampling program:

1. analyses to be performed;
2. sample containers required;
3. shipping forms and other information needed to deliver a proper sample to the laboratory;
4. calculations and statistical analyses;
5. historical sampling data, and other pertinent information.

Chemical parameters to be sampled depend on the purpose of the sampling program and shall include those listed in either the Board Regulations or other sections of this document. In addition, site

specific parameters shall be chosen based\ upon the chemical composition of E&P waste at each facility.

Note: It is the operator's responsibility to assure that adequate sampling procedures at E&P facilities are followed. This responsibility includes:

1. Determining the constituents to be analyzed depending on the specific conditions of reporting, remediation or disposal as may be required by the Board Regulations.

2. Determining sampling procedures within the field to satisfy the objectives set in Section 4.0.

3. Determining and assuring that health safety plans and procedures for all sampling operations are in accordance with all federal, state, or local statutes and regulations.

The sampling and analysis plan shall describe a program for ensuring proper calibration of field equipment, decontamination procedures and chain-of-custody procedures.

Any sampling, analysis and reporting program will be executed in a sound and uniform manner in order to fulfill the operator's QA responsibilities. The operator will keep accurate and complete records of all analyses and field work.

SAMPLE PRESERVATION AND HANDLING. All procedures for transferring samples from the field to the laboratory should be specified. The type of sample containers to be used to collect samples, as well as the procedures to be used to ensure that sample containers are free of contamination prior to use, shall be identified. The container type as well as cleaning procedure depend on the parameters being sampled. Sample preservation is intended to retard biological action, hydrolysis and reduce sorption effects. Preservation methods are generally limited to Ph control, chemical addition, refrigeration, and protection from sunlight. Samples shall be kept at low temperatures or at 4 degrees Centigrade for best preservation.

8.0 CHAIN-OF-CUSTODY. An adequate chain-of-custody program will allow for the tracing of possession and handling of individual analysis. The chain-of-custody program shall include:

1. Sample labels which prevent misidentification of samples;

2. Sample seals to preserve the integrity of the sample from the time it is collected until it is opened in the laboratory;

3. Field logbook to record information about each sample collected during the ground water monitoring program;

4. Chain-of-custody record to establish the documentation necessary to trace sample possession from the time of collection to analysis;

5. Sample analysis request sheets which serve as official communication to the laboratory of the particular analysis (es) required for each sample and provide further evidence that the chain-of-custody is complete;

6. Laboratory logbook and analysis notebooks, which are maintained at the laboratory and record all pertinent information about the sample, sample preparation techniques, instrumental methods, experimental conditions, and analysis results.

9.0 CALIBRATION PROCEDURES AND FREQUENCY:

See requirements under Sections 5.0 and 8.0

10.0 ANALYTICAL PROCEDURES. The Board or its authorized representative reserves the right to inspect the operation, calibration, and QA program for any laboratory submitting data relevant to the UIC program. Laboratory calibrations are to be conducted as per manufacturers' recommendations or more frequent as deemed necessary for the production of good quality data. The sampling and analysis plan shall describe in detail the analytical procedures that will be used to determine the concentrations of constituents or parameters of interest. These procedures will include suitable analytical methods as well as proper quality assurance and quality control protocols. The required precision, accuracy, detection limits, and percent recovery (if applicable) specifications will be clearly identified in the plan.

The sampling and analysis plan shall identify one method that will be used for each specific parameter or constituent. The plan shall specify a method in SW-846 or an EPA-approval method and clearly indicate if there are going to be any deviations from the stated method and the reasons for such deviations.

Records of sampling analyses shall include the methods used, extractions date, and date of actual analysis. Data from samples that are not analyzed within recommended holding times will not be used. Any deviation from an EPA approved method (SW-846) shall be adequately tested to ensure that the quality of the results meets the performance specifications such as detection limit, sensitivity, precision, and accuracy of the reference method. It is recommended that the operator contact the analytical laboratory to determine the proper sample holding time and to discuss the analytical methodology being used by the lab.

11.0 QUALITY CONTROL CHECKS. One of the fundamental responsibilities of the operator is the establishment of continuing programs to ensure the reliability and validity of field and analytical laboratory data gathered as part of the overall sampling program.

The operator's sampling and analysis plan must explicitly describe the QA/QC program that will be used.

Various types of field blanks might be used in some cases to verify that the sample collection and handling process has not affected the quality of the samples. Field blanks are suggested when analyzing for extremely low concentration levels or if unexpected constituents are detected. If contaminants are found in the blanks, the source of the contamination shall be identified and corrective action, including resampling will be initiated.

12.0 PERFORMANCE AND SYSTEM AUDITS. Performance audit samples may be sent to a specific lab at the discretion of the Board. The Board, the Montana Department of Health and Environmental Sciences, and the U.S. EPA reserve the right to conduct an inspection of any field or laboratory activities relevant to this QA project plan for the UIC program.

13.0 CORRECTIVE ACTION. It is the responsibility of the operator and laboratory to ensure that proper corrective action is taken to maintain data quality. This corrective action should be specified in each sampling and analysis plan.

14.0 REPORTS TO MANAGEMENT.

REPORTING. Analytical results from soil sampling associated with exploration and production facilities will be reported to the Board. The frequency of reporting will be as outlined in either the Board's Rules or within this document.

ATTACHMENT I.

REFERENCES FOR SAMPLING

American Petroleum Institute, 1968. API Recommended Practice for Analysis of Oil Field Water. API Report No. 45.

Manual of Groundwater Quality Sampling Procedures, W.R. Scalfet, Robert S. Kerr Environmental Research Laboratory, Ada, Oklahoma and J.S. Fryberger, Engineering Enterprises Inc., Norman, Oklahoma (1981).

U.S. Environmental Protection Agency, 1980. Sampling Ground Water for Organic Contaminants, EPA-600/5-80-022.

U.S. Environmental Protection Agency, 1982. Handbook for Sampling and Sample Preservation of Water and Wastewater, EPA-600/4-82-029.

U.S. Environmental Protection Agency - Region VIII, January 1992. Standard Operating Procedures for Field Samplers.

U.S. Geological Survey, 1982. Quality Assurance Practices for the Chemical and Biological Analyses of Water and Fluvial Sediments. Techniques of Water Resources Investigations of the U.S. Geological Survey, Book 5, Chapter A6.

U.S. Environmental Protection Agency - Region I, 1988. Index to EPA Test Methods, 901/3-88-001.

ATTACHMENT II

REFERENCES FOR ANALYTICAL PROCEDURES

All water quality chemical tests required for the UIC program must be performed in accordance with special permit requirements or one of the following methods:

1. Organic and inorganic compounds, water quality measurements:40 CFR Part 136 "Guidelines Establishing Test Procedures for the Analysis of Pollutants," (as revised on October 26, 1984 and January 4, 1985), 136.3, Table I. This list references the accepted methods to analyze waters for organic and inorganic contaminates. It also includes some physical tests (temperature, specific gravity, etc.).

2. Organic compounds, water quality measurements: "Methods for Organic Chemical Analysis of Municipal and Industrial Wastewater." EPA-600/4-82-057, July 1982, available from the Center for Environmental Research Information (CERI) 26 West St. Clair Street, Cincinnati, Ohio 45268, Phone: (513)684-7562 or FTS 684-7562. NOTE: This technical report provides procedures that are as uniform and cost effective as possible (with some minor compromises) for the analysis of some organic pollutants. It also provides references that would be helpful to the analyst.

3. Methods for the analysis of inorganic compounds: "Methods for Chemical Analysis if Water and Wastes," EPA-600/4-79-020, March 1979; available from the Center for Environmental Research (CERI), 26 West St. Clair Street, Cincinnati, Ohio 45268. NOTE: This reference is included in 1. above and provides acceptable analytical methods.

4.* Other analyses not covered above should be performed in accordance with the most recent edition of "Standard Methods for the Examination of Water and Wastewaters": American Public Health Association, American Water Works, and the Water Pollution Control Federation.

5.* For Class II programs, analyses which require a high degree of accuracy must be done as explained above or in accordance with "API Recommended Practice for Analysis of Oil-Field Waters" API Report No. 45.

NOTE: Techniques already approved and used for other programs (RCRA, CERCLA, NPDES, PWSS, etc.) should be deemed acceptable for the same type of analyses.

* The last two references above (No.'s 4 and 5) are adequate until EPA approves specific tests to be used.

SECTION K

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION
BOARD OF OIL AND GAS CONSERVATION

STAN STEPHENS, GOVERNOR

OIL AND GAS CONSERVATION DIVISION

STATE OF MONTANA

MONTANA BOARD OF OIL AND GAS CONSERVATION

FORMS

DIVISION OFFICE
1520 E. SIXTH AVENUE
HELENA, MONTANA 59620-2301
(406) 444-6675

TECHNICAL AND
SOUTHERN FIELD OFFICE
2535 ST. JOHNS AVENUE
BILLINGS, MONTANA 59102
(406) 656-0040

NORTHERN FIELD OFFICE
218 MAIN STREET
P.O. BOX 690
SHELBY, MONTANA 59474
(406) 434-2422

FORM NO. 1 R6/88 (SUBMIT IN DUPLICATE) ARM 36.22.306

TO
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
1520 EAST SIXTH AVENUE HELENA, MONTANA 59620-2301

ORGANIZATION REPORT

1. Full name of the Company, Organization, or Individual

.....

2. Post Office Address..... (Street or Box) (City) (State)

3. Form and Purpose of the Organization.....

.....
(State whether corporation, a joint stock association, firm or partnership, also)

.....
(State the purpose of the organization, whether producer, pipe line, refiner, etc.)

.....

.....
If Foreign Corporation, give (1) state where incorporated; (2) name and post office address of Montana agent: date of qualification to do business in Montana

.....

.....

Post Office Address (always give street address too)

4. Officers:

TITLE	NAME	POSTOFFICE ADDRESS
Trustee.....		
Trustee.....		
President.....		
Vice President.....		
.....		
.....		
Secretary.....		
Treasurer.....		

(O V E R)

5. Directors:

NAME	POSTOFFICE ADDRESS
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

6. Is this a re-organization?.....

Dated this.....day of....., 19.....

.....

By.....

.....
Office

State of.....
County of..... } ss.

.....being first duly sworn deposes and says that he is the

.....of.....: that he has personal knowledge of the ownership, management and officers of said.....; that the statements above made concerning said organization are true and correct.

Subscribed and sworn to before me this.....day of....., 19.....

.....

Notary Public, State of.....

Residing at.....

My Commission Expires.....

MONTANA BOARD OF OIL AND GAS CONSERVATION

Date Registered.....

ONE COPY WILL BE RETURNED

.....
Executive Secretary

Form 2
Rev. 8-92

Submit In Quadruplicate To:
Montana Board of Oil and Gas Conservation
Billings or Shelby Office

ARM 36.22.307, 1003, 1004, 1011, 1013, 1103, 1222, 1301, 1306, and 1309

Sundry Notices and Report of Wells

Operator	Lease Name:
Address	Lease Type (Private/State/Federal):
City State Zip Code	Well Number:
Telephone Number ( ) Telefax Number ( )	Unit Agreement Name:
Location of well (1/4-1/4 section and footage measurements):	Field Name or Wildcat:
If directionally or horizontally drilled, show both surface and bottom hole locations)	Section, Township, and Range:
API Number: 25 ___ ___ ___ ___ ___ (State / County / Well)	County:
Well Type (oil, gas, injection, other):	

Indicate below with an X the nature of this notice, report, or other data:

Notice of Intention to Change Plans	☐	Subsequent Report of Mechanical Integrity Test	☐
Notice of Intention to Run Mechanical Integrity Test	☐	Subsequent Report of Stimulation or Chemical Treatment	☐
Notice of Intention to Stimulate or to Chemically Treat	☐	Subsequent Report of Perforation of Cementing	☐
Notice of Intention to Perforate or to Cement	☐	Subsequent Report of Well Abandonment	☐
Notice of Intention to Abandon Well	☐	Subsequent Report of Pulled or Altered Casing	☐
Notice of Intention to Pull or Alter Casing	☐	Subsequent Report of Drilling Waste Disposal	☐
Notice of Intention to Change Well Status	☐	Subsequent Report of Production Waste Disposal	☐
Supplemental Well History	☐	Subsequent Report of Change in Well Status	☐
Other (specify) _____	☐	Subsequent Report of Gas Analysis (ARM 36.22.1222)	☐
_____	☐	_____	☐

Describe Proposed or Completed Operations:

Describe planned or completed work in detail. Attach maps, well-bore configuration diagrams, analyses, or other information as necessary. Indicate the intended starting date for proposed operations or the completion date for completed operations.

BOARD USE ONLY

Approved _____
Date

_____
Name Title

The undersigned hereby certifies that the information contained on this application is true and correct:

_____ _____
Date Signed (Agent)

_____
Print Name & Title

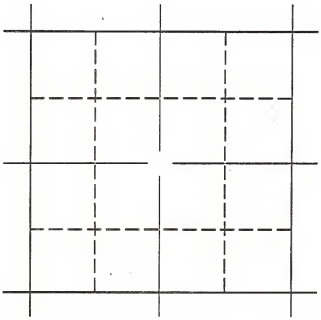
SUPPLEMENTAL INFORMATION

NOTE: Additional information or attachments may be required by Rule or by special request.

Plot the location of the well or site that is the subject of this notice or report.

Range_____

Township_____



Scale: 1 inch = 2,000 feet

BOARD USE ONLY | CONDITIONS OF APPROVAL

The operator must comply with the following condition(s) of approval:

Failure to comply with the conditions of approval may void this permit.

FORM 2A

BEFORE THE BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

In the Matter of the Application of	)	NOTICE OF
	)	INTENTION TO APPLY
_____	)	FOR PERMIT TO
(NAME OF APPLICANT)	)	DRILL OIL AND GAS
for a Permit to Drill an oil and gas well.	)	WELL

1. Name and address of Applicant:

2. Legal Description and Approximate Footages of Surface Location of Proposed Oil and Gas Well:

3. Total Depth Proposed to be Drilled:

Notice is hereby given that an application for permit to drill an oil and gas well at the surface location set forth above to the depth as stated will be filed with the Montana Board of Oil and Gas Conservation. Pursuant to Rules 36.22.601 and 36.22.604, Administrative Rules of Montana, an interested party may demand an opportunity to be heard by the Montana Board of Oil and Gas Conservation concerning the application. SUCH DEMAND FOR HEARING MUST BE RECEIVED BY THE MONTANA BOARD OF OIL AND GAS CONSERVATION AT THE ADDRESS SET FORTH BELOW NO LATER THAN TEN (10) DAYS AFTER THE DATE OF PUBLICATION OF THIS NOTICE OR THE APPLICATION WILL BE ACTED UPON BY THE BOARD'S PETROLEUM ENGINEER WITHOUT HEARING. A DEMAND MUST: (1) SET FORTH THE NAME, ADDRESS AND TELEPHONE NUMBER OF EACH INTERESTED PARTY, THEIR OWNERSHIP INTEREST IN THE LANDS SURROUNDING THE PROPOSED WELL, AND THE REASONS WHY A HEARING IS SOUGHT; (2) BE SERVED UPON THE APPLICANT BY COPY MAILED OR FAX TRANSMITTED TO THE ADDRESS SET FORTH BELOW.

Montana Board of Oil and Gas Conservation
1520 East Sixth Avenue
Helena, Montana 59620-2301
FAX Number: (406)444-6721

Form 2 M

SUBMIT IN DUPLICATE TO

Board of Oil and Gas Conservation
Of the State of Montana

BILLINGS OR SHELBY

Report Date:

MECHANICAL INTEGRITY REPORT

Check one	
Initial Test (new well)	
Re-Test	
Routine (5 - year) Test	

Lease or Unit Name:	Type (Fed., State, Private, Indian):	API Well Number: 25 -	MT/EPA Permit Number:

Well Number:	1/4 1/4 Location:	Section:	Township:	Range:

Well is located ---------- feet from -------- (N/S) line and ---------- feet from ----------(E/W) line of Section ----------, MPM Elevation (KB or GL) ----------

Field Name:	County: MT	Injection Formation:	Well type (disposal, enhanced recovery, other):	
Tubing description:	**Packer type / model:**	**Packer set at:**	**Perforations:**	**Type of fluid in annulus:**

Date of Test:	Pressure Before Test	During Test	
Inner Csg. - Prod. Csg Annulus	psig	psig	
Tubing (injection Pressure)	psig	psig	
Prod. Csg. - Tubing Annulus	psig	psig	Held for Minutes
			Result (pass / fail)

Remarks: (If test failed attach plan for remedial work/ Notice of intent to Abandon on Form 2)

Alternative / Supplemental Test(s) Note: MIT pressure test must be run unless an alternative has been previously approved. Report test results and attach any logs, reports, or analysis done as part of an alternative test, or as a supplement to the pressure test.

I certify that this report is true and accurate to the best of my knowledge and belief.

Operator	Telephone	Test witnessed by:
Agent	Signature	
Address		
City State Zip		(Board Inspector)

Board Use Only	Reviewed by:	Title:	Date:

FORM NO. 2
Rev. 7/82

ARM 36.22.1308

SUBMIT TO
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
1520 East Sixth Avenue
HELENA, MONTANA 59620

BOND

Surety Company
Bond No. _____

KNOW ALL MEN BY THESE PRESENTS, That we, _____
(Name and Mailing Address)

_____

of the County of _____ in the State of _____

as Principal, and _____

_____ of _____

as Surety, authorized to do business in the State of Montana, are held and firmly bound unto the State of Montana, in the penal sum of _____ ($_____), lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators or successors, and assigns jointly and severally, firmly by these presents.

The condition of this obligation is that whereas the above bounden principal _____ propose _____ to drill a well or wells for oil, gas, or stratigraphic purposes in and upon the following described land situated within the State of Montana:

☐ BLANKET BOND: To cover all wells drilled or acquired in the State of Montana.

☐ LIMITED BOND: To cover all wells drilled or acquired limited to the following described lands: _____

☐ INDIVIDUAL WELL BOND: To cover the following described well: _____

This bond supercedes and assumes all wells now covered by Bond No. _____
Principal _____ (To be completed only if this is a replacement bond.)

NOW, THEREFORE, if the above bounded principal shall comply with all of the provisions of the laws of the State of Montana and the rules, regulations and orders of the Board of Oil and Gas Conservation of the State of Montana especially with reference to the proper plugging of said well or wells, and restoration of the surface of the location of said well or wells, and filing with the Board of Oil and Gas Conservation of the State of Montana all notices and records required by said Board, in the event said well or wells do not produce oil or gas in commercial quantities, or cease to produce oil or gas in commercial quantities, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

Witness our hand and seals, this _____ day of _____, 19____

_____

_____
Principal.

Witness our hands and seals, this _____ day of _____, 19____

_____

_____
Surety.

Countersigned: _____, 19____

By _____
Montana Resident Agent OR Licensed Non-Resident Agent License No. _____

Mailing Address: _____

_____

(The bond will not be accepted if the above box is not completed.)

(If the principal is a corporation, the bond should be executed by its duly authorized officers, with the seal of the corporation affixed. When principal or surety executes this bond by agent, power of attorney or other evidence of authority must accompany the bond.)

Approved _____, 19____
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

By _____

LOCATE WELL CORRECTLY

Form No. 4 R 4-85

(SUBMIT IN TRIPLICATE)
TO
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
BILLINGS OR SHELBY

ARM 36.22.307
ARM 36.22.1011
ARM 36.22.1013

COMPLETION REPORT

Company _____ Lease _____ Well No. _____

Address _____ Field (or Area) _____

The well is located _____ (N) ft. from (S) line and _____ (E) ft. from (W) line of Sec. _____

Sec. _____; T. _____; R. _____; County _____; Elevation _____ (D.F., R.B. or G.L.)

Commenced drilling _____, 19___; Completed _____, 19___

Write the API# or the well name of another well on this lease if one exists _____.

The information given herewith is a complete and correct record of the well. The summary on this page is for the condition of the well at the above date.

Completed as _____ (oil well, gas well, dry hole)

API# 25-_____-_____

Signed _____

Title _____

Date _____

IMPORTANT ZONES OF POROSITY

(denote oil by O, gas by G, water by W; state formation if known)

From _____ to _____ From _____ to _____
From _____ to _____ From _____ to _____
From _____ to _____ From _____ to _____
From _____ to _____ From _____ to _____

CASING RECORD

Size Casing	Weight Per Ft.	Grade	Thread	Casing Set	From	To	Sack of Cement	Cut and Pulled from

TUBING RECORD

Size Tubing	Weight Per Ft.	Grade	Thread	Amount	Perforations

COMPLETION RECORD

Rotary tools were used from _____ to _____
Cable tools were used from _____ to _____
Total depth _____ ft.; Plugged back to _____ T.D.; Open hole from _____ to _____

PERFORATIONS			ACIDIZED, SHOT, SAND FRACED, CEMENTED			
Interval		Number and Size and Type	Interval		Amount of Material Used	Pressure
From	To		From	To		

(If P&A show plugs above)

INITIAL PRODUCTION

Well is producing from _____ (pool) formation.

I.P. _____ barrels of oil per _____ hours _____ (pumping or flowing)

_____ Mcf of gas per _____ hours.

_____ barrels of water per _____ hours, or _____ % W.C.

Initial 10-day average production _____ (bbl./day) (if taken)
Pressures (if measured): Tubing _____ psi flowing; _____ psi shut-in
Casing _____ psi flowing; _____ psi shut-in
Gravity _____ ° API (corrected to 60° F.)

Formation Volume Factor _____ Porosity _____ % Average Connate water _____ %

Type of trap _____

Producing mechanism _____

DRILL STEM TESTS

D.S.T. No.	From	To	Tool Open (Min.)	Shut-in	F.P.	S.I.P.	Recovery	Cushion

CORES

No.	Interval	Recovered

LOG RUNS

Type	From	To

FORMATION RECORD

(ELECTRIC LOG TOPS)

From	To	FORMATION	Top of Formation

(Use additional sheets where needed to complete description)

FORMATION RECORD—(Continued)

From	To	SAMPLE AND CORE NO. AND DESCRIPTION	Top of Formation

FORM NO. 5
R10/83

(SUBMIT IN DUPLICATE)

ARM 36.22.307
ARM 36.22.1234

TO

Board of Oil and Gas Conservation
of the State of Montana
2535 St. Johns Ave.
BILLINGS, MT 59102

REPORT OF SUBSURFACE INJECTIONS

For Month of_____ 19____

Field_____ County_____ Operator_____

Unit or Lease Name_____ Formation Injected Into_____

Injection Fluid (water, gas, air, LPG, etc.)_____

Source of Injection Fluid_____

Type of Project (Secondary Recovery, Pressure Maint., Disposal)_____

INJECTION DATA

INJECTION WELL INFORMATION					Monthly Inj. bbls, MCF, gals	Cummulative Inj. bbls, MCF, gals	Avg. Surface Inj. Pressure
Name	No.	Sec.	Twp.	Rge.			
TOTALS							

NOTE: Mail two (2) copies to the Board of Oil and Gas Conservation of the State of Montana, Billings, Montana, on or before the last day of each month following the month covered by the report. Separate report must be filed covering each injection or disposal project.

REMARKS:

By_____

Title_____

Address_____

Form No. 6 (Rev. 1/87)

(SUBMIT IN TRIPLICATE)

TO

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

1520 E. SIXTH AVE. HELENA, MT 59620-2301

BOARD USE ONLY	
	F. L. UNIT
	PROD
	CNTY

REPORT OF PRODUCTION

(TO BE MADE BY PRODUCER)

Oil or Gas Wells

☐ 12. CHECK IF AMENDED REPORT

ARM 36.22.307 ARM 36.22.1217 ARM 36.22.1242

1. PRODUCER

2. ADDRESS

3. CITY

4. STATE 5. ZIP

6. AGENT SIGNATURE

7. FIELD NAME

8. LEASE/UNIT NAME

9. COUNTY

10. ☐ CHECK IF ADDRESS CHANGE

11. MONTH OF _____ 198____

13. WELL CLASSIFICATION (CHECK ONE)
- ☐ OIL WELLS
- ☐ NATURAL GAS WELLS

14. LEASE STATUS
- ☐ NO WELLS PRODUCED
- ☐ NO WELLS SHUT IN

WELL DESCRIPTION							PRODUCTION INFORMATION			
15. WELL NUMBER	16. API NO (LAST 8 DIGITS)	17. DAYS PRODUCED	18. SEC	19. TWP	20. RGE	DO NOT USE	21. PRODUCING FORMATION	22. BBLS OF OIL / COND.	23. MCF GAS @ 14.73 PSIA	24. BBLS OF WATER

25. INVENTORY SUMMARY	BBLS OIL AND COND.	MCF OF GAS	BBLS OF WATER
On Hand Start of Month			
Produced This Month			
Sold This Month			
Spilled This Month			
Flared or Vented			
Used on Lease			
Injected			
Surface Pits			

26. DISPOSITION INFORMATION	Bbls or MCF
BUYER	
TRANSPORTER	
BUYER	
TRANSPORTER	
BUYER	
TRANSPORTER	
BUYER	
TRANSPORTER	

NOTE: Separate production reports covering operations in each lease must be filed with the Helena office of the Board of Oil and Gas Conservation by the last day of each calendar month following the month covered by the report.

INSTRUCTIONS FOR COMPLETING FORM 6

General

All production must be reported by the **producer**—if some other company owns a share of your lease, **you**, as the producer, **are required to report all of the production irrespective of what your share is. Production is to be reported as follows:**

(1) Each unit or lease is to be reported on a separate form.
(2) Producing and Shut-In wells are to be listed individually on the form.
(3) The total production for the unit or lease, must be divided among the producing wells according to one of the following rules:
  (I) Write the actual production from each well.
  (II) Estimate the production from each well.
  (III) Average the production over the several wells.
  (IV) Use the allocation factor in the unitization agreement.
(4) Shut-In wells are listed with zero production.
(5) Water supply wells, water injection wells, and water disposal wells are not reported on the Form 6.

This report of production must be postmarked no later than the last day of the month following the month of production.

Amended Report: If a report is incorrect because of omissions or inclusion of incorrect information, a copy will be mailed back to the agent who signed it, with an explanation of the problem. An amended report will be due within 40 days of the date shown on the explanation letter enclosed with the return form.

Gas Pressure: All gas reported must use **14.73 PSIA** as the pressure base, and **60°F** as the temperature base.

Top Portion of Form

1. Type or write the producer company name.
2-5. Type or write the address of the agent who completes the form.
6. The agent completing the form is required to sign.
7. Type or write the correct field name.
8. Type or write the correct lease (or unit) name, **only one lease per form.**
9. Type or write county in which the lease is located.
10. Check (✓) if there is a change of agents name, address, or phone number. If phone changes, please write new phone number after signature in box 6.
11. Type or write the month and year of the report.
12. Check (✓) if you are filing an amended report; when filling out an amended form, type or write all information, not just that which is being amended.
13. Check (✓) oil wells if you are reporting oil production or oil with associated gas production. Check (✓) natural gas wells if you are reporting only natural gas production.

14. Type or write the number of wells which produced during the month, and the number of wells which were shut-in all month.

Middle Portion of Form

15. Type or write your well number.
16. Type or write the last 8 digits of the API well number.
  The complete API number can be found on the Montana Board of Oil and Gas Conservation Form 2, lower left corner. An original copy of this form was returned to your company, as a permit to drill.
17. Type or write the number of days operated.

18, 19, 20. Type or write the Section, Township, and Range in which your well is located.

21. Type or write the formation from which your well is producing—**If a well is producing (oil, gas, or water) from more than one formation (unless commingling has been approved),** supply a line entry for **each** formation and its production.
  If it is unclear how much was produced from a given **formation**, you may use estimates.

22. Type or write the number of barrels of oil and condensate produced.
23. Type or write the number of barrels of water produced.
24. Type or write the MCF (thousands of cubic feet) of gas produced at **14.73 PSIA.**

Bottom Portion of Form

25. **Inventory Summary**
  Oil and Condensate
  Type or write total BBLs for the lease of oil on hand on the first day of the month, produced, sold, spilled or lost, used on the lease, injected, and other.
  Gas
  Type or write the total MCFs for the lease of gas (@**14.73 PSIA**) produced, sold, flared or vented, used on lease, injected, and other.
  Water
  Type or write the total BBLs for the lease of water produced, injected, stored in surface pits (tanks, etc.) and other.
26. **Disposition Information**
  Oil and Condensate
  Type or write the number of BBLs sold, the name of the company to whom the oil was sold (buyer), and the name of the company who transported (transporter) the oil from the lease.
  Gas
  Type or write the MCF (@**14.73 PSIA**) sold, and the name of the company to whom the gas was sold (buyer), and the name of the company who transported (pipeline or other transporter) the gas from the lease.
  NOTE: Each line of **sales** and/or transportation information must represent only **one** purchaser and **one** transporter. Do not lump your sales to multiple purchasers together. In the case of multiple transporters for the **same** sale, type or write the sale on multiple lines so that the volume transported by each transporter is separately and correctly identified.
  If additional space is needed, use a separate sheet.

* **For help, contact: Statistician (406) 656-0040**

Form No. 7 (R 5-84)

(ONE COPY ONLY)

ARM 36.22.307
ARM 36.22.1243

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
P.O. BOX 217
HELENA, MONTANA 59624

TRANSPORTATION AGENCY'S MONTHLY REPORT OF RECEIPTS AND DISPOSITION OF CRUDE OIL

From:

FIELD _____ (Pool)

COUNTY _____

MONTH OF _____

I certify the following to be a correct statement.

_____ (Name of Transportation Agency)

METHOD OF TRANSPORTATION:

By _____

_____ ("Pipeline," "Truck," "Rail")

P. O. Address _____

_____ Bbls. in transit or storage on first day of said month received from PRODUCERS in said field.

_____ Bbls. received from PRODUCERS in said field during said month.

_____ Bbls. received from other TRANSPORTERS; i.e., _____ (Name) during said month.

_____ TOTAL

_____ Bbls. deducted for _____ (State Cause)

_____ Bbls. delivered to, or shipped by rail to consignees in Montana.

_____ Bbls. delivered to, or shipped by rail to consignees elsewhere.

_____ Bbls. delivered to other TRANSPORTERS, i.e. _____ (Name) during said month.

_____ Bbls. remaining in transit or storage on last day of said month.

_____ Bbls. lost by accident, fire, etc.

_____ TOTAL

REMARKS

_____

_____

_____

_____

_____

_____

_____

NOTE: Mail one copy to the office of the Board of Oil and Gas Conservation of the State of Montana, Helena, Montana, on or before the last day of each calendar month following the month covered by the report. Separate report must be filed covering production from each field.

Form No. 9 (R 1-88)

ALSO PRODUCER'S REPORT IF GAS MOVED AND USED BY PRODUCER

(SUBMIT IN TRIPLICATE)

TO

BOARD OF OIL AND GAS CONSERVATION

OF THE STATE OF MONTANA

1520 E. SIXTH AVE. — HELENA, MONTANA 59620-2301

ARM 36.22.1243
ARM 36.22.307

MONTHLY GAS REPORT

ALL NATURAL AND CASINGHEAD GAS MUST BE REPORTED BY PURCHASER

(Acquisition and Disposition)

Field or Pool_____ _____County

Report of_____ Month of_____, 19____

(Name of Initial Taker)

Address_____

Title Signature

Report all Volumes in MCF at 14.73 lbs. and 60° F.

(ADD SHEETS IF NECESSARY)

ACQUISITION

(ADD SHEETS IF NECESSARY)

NAME OF PRODUCER	Lease, or Meter Station	Number Wells	Oil or Gas Wells	LOCATION			TAKE (MCF)
				Sec.	Twp.	Rge.	
OIL WELL GAS PURCHASED							
GAS WELL GAS PURCHASED							
TOTAL							

DISPOSITION

USED FOR	NAME OF COMPANY AND ADDRESS	VOLUME
Fuel System		
Lease Use		
Gas Lift		
ansmission System		
Other Disposition (Detail)		
TOTAL		

(FOLLOW INSTRUCTIONS ON REVERSE SIDE)

Form 9-A

For the Month of _____

ACQUISITION

NAME OF PRODUCER	LEASE NAME	NUMBER WELLS OR WELL NUMBER	KIND OF WELL	SEC.	TWP.	RGE.	MCF TAKE

TOTAL OIL WELL GAS PURCHASED_____

Form No. 10-A (SUBMIT IN TRIPLICATE) General Rule No. 234

TO This is Sheet 2

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF MONTANA
HELENA

GASOLINE OR OTHER EXTRACTION PLANT

ALL NATURAL AND CASINGHEAD GAS MUST BE REPORTED BY PURCHASER

Report of..... Month of....., 19.....

Address..... .....
(Main Office) (Plant)

Report All Volumes in MCF at 15.025 lbs. PSIA at 60° Fahrenheit

DETAIL OF INTAKE VOLUME

Name of Producer	Lease Name	Location S.	Location T.	Location R.	County	Kind of Wells	No. Wells	M. C. F. Take

Form No. 10

(SUBMIT IN TRIPLICATE)

TO

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

P.O. BOX 217 — HELENA, MONTANA 59601

MAC 36-3.18(10)-S18340
MAC 36-3.18(14)-S18380

GASOLINE OR OTHER EXTRACTION PLANT

ALL NATURAL AND CASINGHEAD GAS MUST BE REPORTED BY PURCHASER

Report of..... Month of....., 19.....

Address..... .....
(Main Office) (Plant

Report All Volumes in MCF at 14.73 lbs. PSIA at 60° Fahrenheit

INTAKE VOLUME

	VOLUME MCF
TOTAL GAS FROM OIL WELLS (Details on Sheet 2)	
TOTAL GAS FROM GAS WELLS (Details on Sheet 2)	
TOTAL GAS FROM OTHER SOURCES (Details on Sheet 2)	
TOTAL	

Disposition of Residue

	VOLUME MCF
Plant Fuel	
Returned for Lease Fuel	
Sold or Other Disposition (Detail Below)	
Returned to Earth	
Vented	
Shrinkage	
TOTAL	

Detail of Sale or Other Disposition of Residue

NAME OF PURCHASER OR USER	ADDRESS	USED FOR	M. C. F.
TOTAL			

Plant Production, Receipts, Deliveries and Stock in Barrels of 42 U. S. Gallons

PRODUCT	OPENING STOCK	RECEIPTS	PRODUCTION	DELIVERIES	CLOSING STOCK
Oil					
Condensate					
Gasoline					
Butane					
Propane					
Kerosene					
Other					
TOTAL					

REMARKS:.....

.....

I hereby certify that this report is true and complete to the best of my knowledge.

Name of Operator.....

....
(Signature) (Title)

(FOLLOW INSTRUCTIONS ON REVERSE SIDE)

GASOLINE OR OTHER EXTRACTION PLANT MONTHLY REPORT

Each operator of a gasoline plant, cycling plant or any other plant at which gasoline, butane, propane, kerosene, oil, or other liquid products are extracted from gas within the State of Montana, shall furnish for each calendar month a Gasoline or other Extraction Plant Monthly Report, Form 10, containing the information indicated by such form respecting gas and products involved in the operation of such plant during each month. Each purchaser of gas shall report monthly the source or sources and amount from each source of gas injected into natural gas storage reservoir together with the gross amount of gas which is withdrawn during the month from natural storage. Such report for each month shall be filed on or before the 20th day of the next succeeding month.

INSTRUCTIONS

The addresses, as required on this report, shall be clear and definite as to Street Number, City and State.

This report, including Sheet 2, shall be made by each Operator of a Gasoline Plant, Cycling Plant, or any other plant, at which gasoline, butane, propane, condensate, kerosene, oil or other liquid products are extracted from natural gas.

This report including Sheet 2, shall be filed in triplicate on or before the 20th day of each calendar month and shall be complete as to data required by such forms covering the calendar month next preceding the date of filing.

Note: Under "Remarks" show the name of the transporter and the quantity delivered to each, except deliveries to trucks which may be reported in total only.

In the preparation of Sheet 2 of this report, group and report by unit the volumes of "Gas from Oil Wells" and the total thereof; group and report by well the volume of "Gas from Gas Wells" and the total thereof; report by each source the volume of "Gas from Other Sources" and the total thereof; and report the total intake Volume from All Sources.

Make a separate report for each plant.

Please use typewriter if possible.

If any space does not apply fill in the word "NONE."

Farm No. 11

(SUBMIT IN DUPLICATE)

MAC 36-3.18(10)-S18220
MAC 36-3.18(10)-S18240
MAC 36-3.18(10)-S18250

BOARD OF OIL AND GAS CONSERVATION OF THE STATE OF MONTANA

Reservoir Survey Report and Gas-Oil Ratio

THIS REPORT MUST BE COMPLETED FOR ALL NEW WELLS AND DURING EACH MAY AND OCTOBER THEREAFTER ON SELECTED KEY WELLS

Producer_____

Address_____

Signature_____

Date Submitted_____

SHOW EACH KEY WELL

File not later than 20 days after test

Field_____

Reservoir_____

County_____

GAS-OIL AND WATER-OIL RATIO TESTS

Lease and Well No.	Test Date	Hrs. Tstd.	Choke 64th"	T.P.	C.P.	Sep. Press.	Pump Diam.	S.P.M	L.S.	PRODUCTION			G.O.R. Mcf/Bbl.	W.O.R. Bbl./Bbl.
										Bbls. Oil	Mcf Gas	Bbls. Wtr.		
1														
2														
3														
4														
5														
6														
7														
8														

SUB-SURFACE PRESSURE SURVEY

Type Instrument_____ B.H. Temp._____ °F. Orig. Res. Press. at S. S. Datum_____

Lease & Well No.	Test Date	Hrs. S.I.	S.I. T.P.	Fluid Level	Test Depth	Sub-sea Datum	Res. Press.	Corrected Datum Press.	PREVIOUS TEST		PRESS. CHANGE	
									Date	Press.	Since Last Test	Since Comp.
1												
2												
3												
4												
5												
6												
7												
8												

You are requested to use care in the preparation of this form as the data are most important.

—OVER—

RULE 221—RESERVOIR SURVEYS

As directed by the Board surveys shall be made of the reservoirs or pools in this State containing oil and gas. These surveys will be thorough and complete and shall be made by the operator or his agent under the supervision of agents of the Board. The condition of the reservoirs or pools containing oil and gas and the practices and methods employed by the operators shall be investigated.

The source of crude oil and natural gas; the reservoir pressure of the reservoir as an average; the areas of regional or differential pressure; stabilized gas-oil ratios and water-oil ratios, and the producing characteristics of the field as a whole and the individual wells within the field shall be specifically included.

Provided, however, the Board will accept from field engineering committees (petroleum engineering, geological, and statistical groups), or men engaged in the petroleum industry in such an advisory capacity, a periodic record of the physical behavior of the oil and gas reservoirs of Montana. These factual data gathered and arranged in such fashion as to permit rapid evaluation of the oil and gas recovery efficiency of the individual reservoir or pools by the Board.

RULE 223—GAS-OIL RATIO TESTS

Within thirty (30) days following the completion, and within thirty (30) days following each recompletion of each well producing oil and either gas or casinghead gas or both, the owner of such well shall make a gas-oil ratio test of such well and the results of such test shall be reported to the Board on Form No. 11 within twenty (20) days after the test is made. Also, thereafter, **each operator shall make a gas-oil ratio test** at such other time or times as the Board may hereafter designate, and similarly **report the results of each such test, within the time specified.**

RULE 224—SUBSURFACE TESTS

Within thirty (30) days **following the completion of each well** in any pool, whether such well produces oil or gas or both, the owner of such well shall make a subsurface pressure test on such well, and shall report the results thereof to the Board, on Form No. 11 within twenty (20) days after such test is made. Each such well shall remain completely shut in for at least twenty-four (24) hours prior to the test. The subsurface determination shall be obtained as close as reasonably possible to the mid-point of the productive section of the reservoir. Further, the Board will **require periodic subsurface pressure measurements on a sufficient number of wells in any pool** to provide adequate data for establishing maximum rate of flow (M. E. R.).

Form No. 13 (Rev. 3/88) (SUBMIT IN TRIPLICATE) ARM 36.22.307
ARM 36.22.1244

TO

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
1520 EAST SIXTH AVE.
HELENA, MONTANA 59620-2301

PRODUCERS CERTIFICATE OF COMPLIANCE AND AUTHORIZATION TO TRANSPORT OIL OR GAS FROM LEASE

Lease _____ (Sec.) _____ (Twp.) _____ (Rge.) _____ County _____

Producer _____ Field _____

Address all correspondence concerning this form to _____

Street _____ City _____ State _____ Zip _____

The above named producer hereby authorizes _____
(Name of Transporter)

Whose principal place of business _____
(Street) (City) (State) (Zip)

And whose field address is _____

To transport _____% of the oil or gas produced from the lease designated above until further notice.

Other transporters transporting oil or gas from this lease are:

_____ _____% _____ _____%
(Name of Transporter) (Name of Transporter)

The undersigned certifies that the rules and regulations of the Montana Board of Oil and Gas Conservation have been complied with except as noted below and that the transporter(s) authorized to transport the percentage of oil or gas produced from the above described property and that this authorization will be valid until further notice to the transporter named herein or until canceled by the _____

Executed this _____ day of _____, 19____.

Approved _____, 19____. _____
(Company or Operator)

By _____ _____
(Executive Secretary) (Agent) (Title)

—REMARKS OR SPECIAL INSTRUCTIONS—

Form No. 14 (pg. 1 R 11-86) SUBMIT TO ARM 36.22.1308

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
1520 EAST SIXTH AVENUE
HELENA, MONTANA 59620-2301

BOND

KNOW ALL MEN BY THESE PRESENTS, That _____

_____ Address _____

_____ of the County of _____

in the State of _____, as Principal, are held and firmly bound unto

the State of Montana, in the penal sum of _____($_____), lawful money of the United States, for which payment, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators or successors, and assigns jointly and severally, firmly by these presents.

The condition of this obligation is that whereas the above bounden principal proposes to drill or acquire a well or wells for oil, gas, stratigraphic or injection purposes in and upon the following described land situated within the State of Montana, to-wit:

_____

_____

_____

NOW, THEREFORE, if the above bounden principal shall comply with all of the provisions of the laws of the State of Montana and the rules, regulations and orders of the Board of Oil and Gas Conservation of the State of Montana, especially with reference to the proper plugging of said well or wells, and filing with the Board of Oil and Gas Conservation of the State of Montana all notices and records required by said Board, in the event said well or wells do not produce oil or gas in commercial quantities, or cease to produce oil or gas in commercial quantities; then this obligation is void; otherwise, the same shall be and remain in full force and effect.

WITNESS our hands and seals, this _____ day of _____, 19____.

_____

_____
Principal

(If the principal is a corporation, the bond should be executed by its duly authorized officers, with the seal of the corporation affixed. When principal executes this bond by agent, power of attorney or other evidence of authority must accompany the bond.)

APPROVED _____, 19____.

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

By _____
Administrator or Counsel

Form No. 14 (pg. 2 R 11-86)

ASSIGNMENT AGREEMENT

The principal, _____ hereby assigns to the Board of Oil and Gas Conservation of the State of Montana, all rights, interest, and title to the joint-ownership Certificate of Deposit described below, which shall entitle the Board to negotiate the Certificate of Deposit or any portion thereof, in the event the Certificate of Deposit is delivered to the Board by the _____ _____ of _____, Montana pursuant to a written demand for delivery of the Certificate of Deposit from the Board of Oil and Gas Conservation when the Board requires the proceeds of the Certificate of Deposit or any portion thereof under the principal's performance bond. This assignment to the Board shall remain in effect until revoked in writing by the Board. The interest earned by the joint-ownership Certificate of Deposit shall accrue to the owner above named.

Certificate of Deposit Number _____ in the amount of _____ (_____).

In witness whereof, the parties have hereunto set their hands and seals this _____ day of _____, 19____.

_____
Principal

STATE OF MONTANA)
:ss
County of _____)

On this _____ day of _____, 19____, before me, a Notary Public for the State of Montana, personnally appeared _____, and _____, Who executed the foregoing assignment and acknowledged to me that they executed the assignment.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year written above.

_____
Notary Public for the State of Montana

Residing at _____

My commission expires: _____

(NOTARIAL SEAL)

Receipt of a true copy of this assignment agreement is acknowledged this _____ day of _____, 19____. This bank agrees to hold the Certificate of Deposit described above in safe keeping until directed to deliver the proceeds of said certificate to any person by the Board of Oil and Gas Conservation.

_____
Name of Bank

by _____
Signature Title

ARM 36.22.1602

Form No. 15-A

Docket No._____

N.G.P.A. APPLICATION FOR NEW NATURAL GAS DETERMINATION

Submit in duplicate to each of Montana Board of Oil and Gas Conservation offices at:
2535 St. Johns Ave., Billings, Montana 59102 *and*
P.O. Box 217, Helena, Montana 59624

1. NAME AND ADDRESS OF WELL OPERATOR:

2. NAMES AND ADDRESSES OF ALL NON-OPERATING OWNERS:

3. WELL IDENTIFICATION:
   (a) Surface Location:
   This well is located_____ feet from (N) (S) line and_____ feet from (E) (W) line of Section_____, Township_____ (N) (S), Range_____ (E) (W).
   (b) A.P.I. Identification No._____ (c) Permit No._____
   (d) Well name and number _____
   Field _____
   Reservoir Designation (if known) _____

4. WELL INFORMATION:
   (a) Spud Date:_____(b) Completion Date:_____
   (c) Date of First Production in Commercial Quantities _____
   (Attach certified copies of applicable Form 2, 4, 6 and all other applicable forms).

5. NAMES AND ADDRESSES OF ALL GAS PURCHASERS:

6. IF STATE, FEDERAL OR INDIAN MINERAL INTERESTS ARE INVOLVED, INDICATE NAMES AND ADDRESSES:

7. HAVE THE FOLLOWING PERSONS BEEN NOTIFIED?
   (a) All Working Interest Owners _____Yes _____No
   (b) All Gas Purchasers _____Yes _____No
   (c) Department of State Lands (If State Mineral Interests are involved)
   _____Not Involved _____Yes _____No

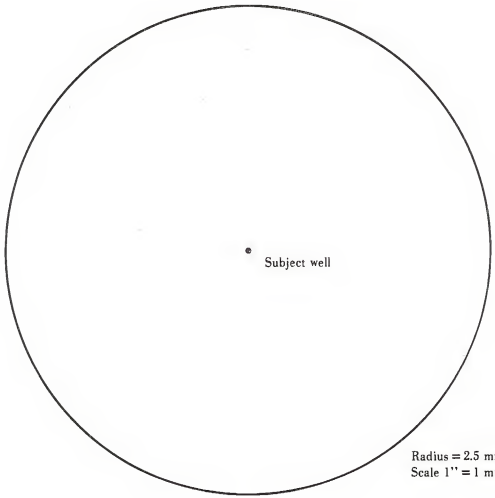
8. Indicate category for type of New Natural Gas for which determination is requested.

_____NGPA Sec. 102 (c) (1) (B) (i) (2.5 mile rule)

_____NGPA Sec. 102 (c) (1) (B) (ii) (1,000 ft. rule)

_____NGPA Sec. 102 (c) (1) (C) (New Reservoir Rule)

9. Using the following plat, indicate all wells that produced gas (producing and plugged) within 2.5 miles of subject well. If subject well *was not* purposely directionally drilled show its surface location in center of circle. However, if subject well *was* purposely directionally drilled show its subsurface location at completion location in center of circle and also show the relative position of the surface location.



10. List as an attachment for each well within the 2.5-mile circle: the operator, well name, permit number, API number, total depth, completion location(s), spud date, date of first gas production in commercial quantities, and cumulative production for period 1-1-70 through 4-20-77. *(Identify source of information and attach copies of documents which verify the information).*

11. Was any gas produced in commercial quanitites from any well shown on the plat after 1-1-70 and prior to 4-20-77?

_____Yes _____No

12. If yes to Item 11, identify marker well(s) and give deepest completion location of that well or wells. *(Use true vertical depth).*

Name of Well	Depth (TVD)

13. Is completion in subject well 1,000 feet deeper than in marker well(s) listed in Item 12?

_____Yes _____No

Items 14-19 are necessary only for applicants requesting a determination of new onshore reservoir (Sec. 102 (c) (1) (C)).
SPECIAL NOTE: All applicants answer Items 20 and 21.

14. Has the Board recognized and named the reservoir that subject well is completed in after notice and hearing?

_____Yes _____No

15. If answer to Item 14 is yes, give Order No._____ and Date_____

16. Give the date natural gas was first commercially produced from this new reservoir by anyone:

Date_____ Operator_____

A.P.I. No._____ Permit No._____

17. If answer to Item 14 is no, identify and attach proof that the completion location in subject well constitutes a new reservoir. This proof shall contain geologic and engineering data to establish a new reservoir including: well logs; bottom-hole pressure surveys; well potential tests; structure, isopachs, cross section and other maps; gas analysis, and any such other information to assist in the determination. Attach a written narrative by a geologist or petroleum engineer supporting a new reservoir determination.

18. Was or could natural gas have been produced in commercial quantities from any producing well which penetrates this new reservoir, as defined in Sec. 102 (c) (1) (C), prior to April 20, 1977?

_____Yes _____No

19. If subject well was spudded before 2-19-77, state what facilities for the production and delivery to a pipeline were in existence on April 20, 1977 and attach statement.

NOTE: For all applicants

20. Attach all other information required by FERC rules for the determinations, including required affidavits.

21. Complete the following:

Applicant _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

Name, title and address of person responsible for answering questions about this application, if different from above.

Name and Title _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

22. List names and addresses of working interest owners for whom Applicant is making application if different than Item 2.

I hereby declare that I am authorized to make this report which was prepared by me or under my direction and that the facts stated herein are true and correct to the best of my knowledge.

_____
Signature

_____
Title

Additional Requirements:

1. The application form shall be accompanied by the form prescribed by the Federal Energy Regulatory Commission (FERC).

2. The application shall be accompanied by the supporting documents required by the applicable rules and regulations of the FERC and the Board.

3. The applicant shall furnish with the application original, photocopies or certified copies of all documents, technical data and records relied upon to support the application. Copies of the Board's official files and orders must be certified.

4. The application and supporting documents must contain all information necessary to support the category or determination sought by the owner.

5. The application shall be accompanied by a certificate of service which indicates that copies of the application (less supporting documents) have been served upon all working interest owners in the well or wells involved in the application, upon the Department of State Lands if state owned mineral interests are involved, upon all purchasers of natural gas from such well or wells and upon all parties to the joint operating agreement if the well or wells are covered by an operating agreement. The certificate of service shall list the names and addresses of all persons served as specified above.

ARM 36.22.1602

Form No. 15-8

Docket No._____

N.G.P.A. APPLICATION FOR NEW ONSHORE PRODUCTION WELL DETERMINATION

Submit in duplicate to each of Montana Board of Oil and Gas Conservation offices at:
2535 St. Johns Ave., Billings, Montana 59102 *and*
P.O. Box 217, Helena, Montana 59624

1. NAME AND ADDRESS OF WELL OPERATOR:

2. NAMES AND ADDRESSES OF ALL NON-OPERATING OWNERS:

3. WELL IDENTIFICATION:
   (a) Surface Location:
   This well is located_____ feet from (N) (S) line and_____ feet from (E) (W) line of Section_____, Township_____ (N) (S), Range_____ (E) (W).
   (b) A.P.I. Identification No._____ (c) Permit No._____
   (d) Well name and number _____
   Field _____
   Reservoir Designation (if known) _____

4. WELL INFORMATION:
   (a) Spud Date:_____(b) Completion Date:_____
   (c) Date of First Production in Commercial Quantities _____
   (Attach certified copies of applicable Form 2, 4, 6 and all other applicable forms).

5. NAMES AND ADDRESSES OF ALL GAS PURCHASERS:

6. IF STATE, FEDERAL OR INDIAN MINERAL INTERESTS ARE INVOLVED, INDICATE NAMES AND ADDRESSES:

7. HAVE THE FOLLOWING PERSONS BEEN NOTIFIED?
   (a) All Working Interest Owners _____Yes _____No
   (b) All Gas Purchasers _____Yes _____No
   (c) Department of State Lands (If State Mineral Interests are involved)
   _____Not Involved _____Yes _____No

8. Does subject well satisfy applicable well spacing requirements? _____Yes _____No

9. Identify appropriate order for well spacing requirements:
   Order No._____ Date_____

10. Is subject well within a proration unit as defined by Sect. 103 (c) (3)?
    _____Yes _____No

11. Attach all other information required by FERC rules in section 274.204 for this determination, including required affidavits.

12. Complete the following:

Applicant _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

Name, title and address of person responsible for answering questions about this application, if different from above.

Name and Title _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

13. List names and addresses of working interest owners for whom Applicant is making application if different than Item 2.

I hereby declare that I am authorized to make this report which was prepared by me or under my direction and that the facts stated herein are true and correct to the best of my knowledge.

_____
Signature

_____
Title

Additional Requirements:

1. The application form shall be accompanied by the form prescribed by the Federal Energy Regulatory Commission (FERC).

2. The application shall be accompanied by the supporting documents required by the applicable rules and regulations of the FERC and the Board.

3. The applicant shall furnish with the application original, photocopies or certified copies of all documents, technical data and records relied upon to support the application. Copies of the Board's official files and orders must be certified.

4. The application and supporting documents must contain all information necessary to support the category or determination sought by the owner.

5. The application shall be accompanied by a certificate of service which indicates that copies of the application (less supporting documents) have been served upon all working interest owners in the well or wells involved in the application, upon the Department of State Lands if state owned mineral interests are involved, upon all purchasers of natural gas from such well or wells and upon all parties to the joint operating agreement if the well or wells are covered by an operating agreement. The certificate of service shall list the names and addresses of all persons served as specified above.

ARM 36.22.1602

Form No. 15-C

Docket No. _____

N.G.P.A. APPLICATION FOR STRIPPER WELL NATURAL GAS DETERMINATION

Submit in duplicate to each of Montana Board of Oil and Gas Conservation offices at:
2535 St. Johns Ave., Billings, Montana 59102 *and*
P.O. Box 217, Helena, Montana 59624

1. NAME AND ADDRESS OF WELL OPERATOR:

2. NAMES AND ADDRESSES OF ALL NON-OPERATING OWNERS:

3. WELL IDENTIFICATION:
   (a) Surface Location:
   This well is located _____ feet from (N) (S) line and _____ feet from (E) (W) line of Section _____, Township _____, (N) (S), Range _____ (E) (W).
   (b) A.P.I. Identification No. _____ (c) Permit No. _____
   (d) Well name and number _____
   Field _____
   Reservoir Designation (if known) _____

4. WELL INFORMATION:
   (a) Spud Date: _____ (b) Completion Date: _____
   (c) Date of First Production in Commercial Quantities _____
   (Attach certified copies of applicable Form 2. 4. 6 and all other applicable forms).

5. NAMES AND ADDRESSES OF ALL GAS PURCHASERS:

6. IF STATE, FEDERAL OR INDIAN MINERAL INTERESTS ARE INVOLVED, INDICATE NAMES AND ADDRESSES:

7. HAVE THE FOLLOWING PERSONS BEEN NOTIFIED?
   (a) All Working Interest Owners _____ Yes _____ No
   (b) All Gas Purchasers _____ Yes _____ No
   (c) Department of State Lands (If State Mineral Interests are involved)
   _____ Not Involved _____ Yes _____ No

23. Complete the following:

Applicant _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

Name, title and address of person responsible for answering questions about this application, if different from above.

Name and Title _____

Address _____

City_____ State_____ Zip_____

Telephone Number_____

24. List names and addresses of working interest owners for whom Applicant is making application if different than Item 2.

I hereby declare that I am authorized to make this report which was prepared by me or under my direction and that the facts stated herein are true and correct to the best of my knowledge.

_____
Signature

_____
Title

Additional Requirements:

1. The application form shall be accompanied by the form prescribed by the Federal Energy Regulatory Commission (FERC).

2. The application shall be accompanied by the supporting documents required by the applicable rules and regulations of the FERC and the Board.

3. The applicant shall furnish with the application original, photocopies or certified copies of all documents, technical data and records relied upon to support the application. Copies of the Board's official files and orders must be certified.

4. The application and supporting documents must contain all information necessary to support the category or determination sought by the owner.

5. The application shall be accompanied by a certificate of service which indicates that copies of the application (less supporting documents) have been served upon all working interest owners in the well or wells involved in the application, upon the Department of State Lands if state owned mineral interests are involved, upon all purchasers of natural gas from such well or wells and upon all parties to the joint operating agreement if the well or wells are covered by an operating agreement. The certificate of service shall list the names and addresses of all persons served as specified above.

Form No. 16

OBJECTION TO N.G.P.A. APPLICATION

Submit in duplicate to each of Montana Board of Oil and Gas Conservation offices at:
15 Poly Drive, Billings, Montana 59101 *and*
P.O. Box 217, Helena, Montana 59601

The term objector includes persons who merely wish to express views on an application and may or may not be opposed to the application or determination sought.

1. I _____
(Name)

_____
(Street)

_____
(City) (State) (Zip Code)

hereby declare that I am an objector to application Docket No. _____ for the following reasons: *(Attach additional sheets if necessary.)*

2. I am attaching the data or exhibits, described or referred to as follows:

3. Describe why any attached data or exhibits are proof of the reasons for the objection. *(Attach additional sheets if necessary.)*

By _____
(Name)

_____
(Title)

_____
(Signature)

ARM 36.22.1609

Form No. 17

Docket No. _____

Federal Energy Regulatory Commission
2nd Floor, Union Center Plaza Building
825 Capitol Street Northeast
Washington, D.C. 20426

NOTICE OF CLASSIFICATION DETERMINATION

Gentlemen:

You are hereby notified that the Montana Board of Oil and Gas Conservation following its determination process as filed with the Federal Energy Regulatory Commission, determined on _____ (Date), pursuant to an application filed with the Board, that natural gas from well API No. _____ which is operated by

_____ (Name)

_____ (Address)

(is) (is not) qualified for classification under section _____ of the NGPA. The application for natural gas well status determination (was) (was not) opposed before the Board.

Enclosed please find:

(1) A list of all persons who participated in the proceeding, submitted written comments or sought an opportunity to submit written comments.

(2) A copy of the complete application and a copy or description of other materials in the record upon which the determination by the Board was made, including any materials, testimony or statements contained in the record of hearings held before the Board.

The Board affirmatively finds that the information contained in this notice and contained in documents accompanying this notice, includes all information required to be filed by the applicant under the rules and regulations of the Board and the FERC.

Very truly yours,

By _____ (Name)

_____ (Title)

for the Montana Board of Oil & Gas Conservation

FORM NO. 18 RULE 36.22.1308

SUBMIT TO
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
P.O. BOX 217
HELENA, MONTANA 59624

DOMESTIC WELL BOND AND LIEN

Bond No._____

KNOW ALL MEN BY THESE PRESENTS, That, we, _____
(Name and Mailing Address)

of the County of _____ in the State of _____
hereby assigns to the State of Montana the hereinafter described real property in the County of _____, State of Montana:

_____

as security for the payment to the State of Montana of the sum of $_____ DOLLARS. The condition of the obligation is that the principal proposes to acquire the above described non-commercial wells in the State of Montana.

NOW, THEREFORE, if the above bounden principal shall comply with all of the provisions of the laws of the State of Montana and the rules, regulations and orders of the Board of Oil and Gas Conservation of the State of Montana, especially with reference to the proper plugging of said wells and filing with the Board of Oil and Gas Conservation of the State of Montana all notices and records required by said Board, then this obligation is void; otherwise, the same shall be and remain in full force and effect.

WITNESS our hands and seals, this _____ day of _____, 19_____.

_____

_____
Principal

(If the principal is a corporation, the bond should be executed by its duly authorized officers, with the seal of the corporation affixed. When principal executes this bond by agent, power of attorney or other evidence of authority must accompany the bond.)

FILED FOR RECORD THIS _____ DAY OF _____, 19_____

at _____ o'clock _____.M. and recorded in Book _____ of _____ on Page _____ of the County of _____, State of Montana.

_____
Clerk and Recorder

By: _____

APPROVED _____, 19_____
BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA

By: _____
Administrator or Counsel

NOTE: THIS BOND AND LIEN MUST BE RECORDED PRIOR TO APPROVAL BY THE BOARD. IF THE WELLS ARE LOCATED IN MORE THAN ONE COUNTY, THIS BOND AND LIEN MUST BE RECORDED IN EACH OF SAID COUNTIES.

STATE OF MONTANA }
County of..... } ss.

On this.....day of.....in the year nineteen hundred and .....before me....., a Notary Public for the State of Montana, personally appeared.....

.....

.....

known to me.....

(or proved to me on oath of.....)

to be the person..... whose name..... subscribed to the within instrument and acknowledged to me that .....he..... executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year first above written.

.....
Notary Public for the State of Montana.

Residing at.....

My Commission expires....., 19.....

Form 19

BOARD OF OIL AND GAS CONSERVATION
OF THE STATE OF MONTANA
2535 St. Johns Avenue
Billings, Montana 59102

ARM 36.22.502
ARM 36.22.1305

RELEASE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that I, _____

_____ of the County of _____

in the State of Montana, am the owner of the hereinafter described land upon which a well for oil, gas, or seismic exploration was drilled, to-wit:

Operator _____

Address _____

Lease Name _____

Well No. _____ Sec. _____, Twp. _____ Rge. _____

Located _____ ft. from [N / S] line and _____ ft. from [E / W] line.

The surface elevation is _____.

That, in accordance with Board Rules 36.22.1305, or 36.22.502(5),

I do hereby notify the Board of Oil and Gas Conservation of the State of Montana of my desire to utilize said well as a fresh water well; and, that if such utilization is approved, I do hereby release and discharge the operator hereinabove named from any further work or responsibility in relation to the plugging of said well.

Water Use: Domestic _____ Municipal _____ Stock _____ Other _____

Industrial _____ Drainage _____ Irrigation _____

Producing Depth _____ Producing Formation _____

Yield of well _____ Annual Withdrawal _____

WITNESS my hand this _____ day of _____, 19____.

_____

Landowner Signature

Address _____

_____

IN THE PRESENCE OF:

_____ Address _____

_____ Address _____

APPROVED BY

MONTANA BOARD OF OIL AND GAS CONSERVATION

_____

Petroleum Engineer, Administrator-Geologist

Dated: _____, 19____

Return six copies to the address listed above.

(SEE REVERSE SIDE)

Board Rule **36.22.1305 EXCEPTION FOR FRESH WATER WELLS**

(1) When the well to be plugged, as required by ARM 36.22.1303, may safely be used as a fresh water well and such utilization is desired by the landowner, the well need not be filled above the required sealing plug set below fresh water; provided, that written notification of such utilization and a release is secured from the landowner and filed with the Board.

(2) Approval by the Petroleum Engineer or his authorized agent of the work done shall relieve the operator of further responsibility. (History: Sec. 82-11-111, MCA; **IMP**, Sec. 82-11-123 and Sec. 82-11-124, MCA; Eff. 12/31/72.)

Board Rule **36.22.502 PLUGGING AND ABANDONMENT**

(5) A seismic shot hole may be left unplugged at the request of the surface owner for conversion to a fresh water well provided the surface owner executes a release furnished by the Board of Oil and Gas Conservation relieving the party otherwise responsible for the plugging and abandonment of the hole from any liability for damages that may thereafter result from the hole remaining unplugged. This release will cite the date, location, surface elevation, depth to aquifer or gas emitting strata, and any action taken. This information shall be furnished by the geophysical operator. (History: Sec. 82-1-04, MCA; **IMP**, Sec. 82-1-104, MCA; **NEW**, 1977 MAR p. 1196, Eff. 12/24/77; **AMD**, 1982 MAR p. 1964, Eff. 10/29/82; **AMD**, 1983 MAR p. 1193, Eff. 8/26/83.)

APPLICATION FOR WATER RIGHTS:

Complete applicable Form No. 600 or 602 following well completion and submit with electric log (if run) showing the pertinent sand, to the Water Rights Bureau, 1520 East Sixth Avenue, Helena, Montana 59620-2301.

Form 20
Rev. 8-92

Submit In Quadruplicate To:

Montana Board of Oil and Gas Conservation

1520 East Sixth Avenue
Helena, Montana 59620-2301

ARM 36.22.307
ARM 36.22.605
ARM 36.22.1308

Notice of Intent to Change Operator

The undersigned Transferor hereby notifies the Board of Oil and Gas Conservation of its intention to transfer ownership and/or operation of the following wells to the undersigned Transferee:

Lease Name:	Lease type: (Private, State, Federal, Indian)
County:	Field name:

Description of wells: (Include official well name and number as reflected on Board of Oil & Gas Conservation records, API well number, and exact location of the well including quarter-quarter section, footage measurements, Section, Township, and Range.)

Transferor's Statement:

I hereby designate the Transferee named herein as the owner and/or operator of record of the above described well(s). I acknowledge that the Transferor continues to be responsible for said well(s) and all associated equipment and facilities until such time as this transfer is approved by of the Montana Board of Oil and Gas Conservation. I certify that the information contained herein is true and correct:

Company _____
Street Address _____
P.O. Box _____
City, State, ZIP _____
Signed _____
Print Name _____
Title _____
Telephone ( ) _____

Transferee's Statement:

I hereby accept the designation of operator/owner for the above described well(s). I understand that this transfer will not be approved until the Transferee has complied with the Board's bonding requirements. I acknowledge that under Section 82-11-101 MCA, the Transferee herein is responsible for the costs of proper plugging and restoration of the surface of the well(s) described above. I certify that the information contained herein is true and correct:

Company _____
Street Address _____
P.O. Box _____
City, State, ZIP _____
Signed _____
Print Name _____
Title _____
Telephone ( ) _____

BOARD USE ONLY

Approved _____
Date

_____
Name Title

Oper. No. Bond No.

Field Office Review	Date	Initial
Inspection		
Records Review		
Operations		

Oper. No. Bond No.

Instructions for Form 20

This form is used to change the operator of record when one or more wells have been assigned or otherwise transferred and the substitution of a new operator of record is requested.

Use only one form per lease or unit. Attach a list of well descriptions if more space is needed.

The form must be signed by both the current owner/operator (transferor) and the proposed new owner/operator (transferee). The current operator of record will continue to be fully responsible for any wells and associated equipment or facilities until the transfer is approved by an authorized agent of the Montana Board of Oil and Gas Conservation. Until the transfer is approved, all reports of production, well work, or other required reports must be filed in the name of the current operator of record.

The Montana Board of Oil and Gas Conservation may withhold approval of the transfer until the well(s) made the subject of this form is (are) in substantial compliance with all applicable Board laws and rules. All production reports, notices, forms, logs, samples, or other information required by Board law, rule, or order must be on file with the Board. The transferee must be in compliance with the Board's bonding requirements, as provided in Rule 36.22.1308 ARM, before the transfer can be approved. A copy of the approved or disapproved Form 20 will be returned to each party. The Board may withhold approval of this transfer until all of the transferee's current wells and operations, if any, are in substantial compliance with Montana laws and Board rules.

The transferee must indicate in the space provided whether it has an ownership interest in the well(s). Both the operator and the owner(s) (if other than the operator) must file a current organization report with the Board on Form No. 1.

Parties transferring wells are advised that the identity of responsible persons as defined by Section 82-11-101, MCA, will be determined by the Board's records of the last approved operator and from other available sources.

If this form relates to a proposed change in the operator of record for a State of Montana oil and gas lease issued by the Montana Board of Land Commissioners, the parties should send a separate copy of this form to the Montana Department of State Lands, Lands Administration Division, Minerals Leasing Section, 1625 Eleventh Avenue, Helena, Montana 59620.

The proposed new operator should have a current copy of the rules and laws of the Montana Board of Oil and Gas Conservation. Copies of the rules and laws may be obtained from any Board office.

NOTICE: False or inaccurate information can void the transfer of a well of wells to another operator's bond. Be sure to verify the accuracy of all well descriptions and other information supplied with this form.

BOARD USE ONLY	CONDITIONS OF APPROVAL

Form 21
New 1-90

Montana Board of Oil and Gas Conservation

1520 East Sixth Avenue
Helena, Montana 59620-2301

Attachments Required
See Instructions on Back

Filing Fee:
$125.00

Application for Release of Well from Bond

Lease or Unit Name:	Field Name:	API Well Number: 25 -

Well Number:	1/4 1/4 Location:	Section:	Township:	Range:

Footage location of well from E/W and N/S lines of section:	County

Date well was Completed	Producing Formation	Date of First Sales

Operator name
Address
City, State ZIP

Bond Number
Surety/Financial Institution
Bond Amount

Certification

I certify that I am the Operator of record of the above described well, or the authorized representative thereof, and that the information contained on this form and any attachments are true and correct to the best of my knowledge. I hereby notify the Board of Oil and Gas Conservation that the above described well is producing oil, gas, or both in commercial quantities, and that the production therefrom is subject to the Resource Indemnity Trust Tax. I request that the Board of Oil and Gas Conservation remove the above well from my bond.

If this bond is eligible for cancellation upon removal of the above well, do you wish to :

Cancel bond	
Leave bond in effect for future use	

Note: Please see instructions regarding bond cancellation

Signature Title Date

Approved by:	Title:	Date:

Instructions for Use of Form 21

1. Wells may be released from bonds upon proper showing that the well is producing and the production is subject to the Resource Indemnity Trust Tax. Only wells completed after June 30, 1989 can be removed from a bond by use of this application. Wells completed prior to that date can only be removed from a bond: (1) by transfer to another qualified and bonded operator, or (2) after being properly plugged and abandoned and the location inspected and approved by an agent of the Board.

2. Applications for release of wells from bonds must by made by the operator of record of the well, and be accompanied by an application fee of $125.00.

3. Required Attachment: You must attach copies of two consecutive Quarterly reports on Montana Department of Revenue Forms O-1 and/or NG-1 showing RIT tax liability for production from the well requested to be removed from your bond. It is not necessary that the RIT tax be paid at the time the bond release application is filed.

4. Bonds may be cancelled or left in place for future operations. Blanket bonds which cover more than one well cannot be cancelled until all the wells on the bond have been removed by any of the procedures described in No. 1 above.

Form 22
Rev. 8-92

Submit in quadruplicate to: ARM 36.22.601

Montana Board of Oil and Gas Conservation

Billings or Shelby

Application for Permit

To: Drill ☐ Deepen ☐ Re-enter ☐

Operator:

Address

City State ZIP

Telephone Number

Location of Well (quarter-quarter section and footage measurements)

(if directionally drilled, show both surface and bottom hole locations above)

Lease Name:

Lease Type (Private/State/Federal):

Well Number:

Unit Agreement Name:

Field Name or Wildcat:

Objective Formation(s):

Section, Township, and Range:

County:

Proposed total depth	Formation at total depth	Elevation (indicate GL or KB)

Size and description of drilling/spacing unit	API number of another well on this lease (if any)	Anticipated spud date

Hole size	Casing size	Weight/foot	Grade (API)	Depth	Sacks of Cement	Type of Cement

Describe Proposed Operations:

Describe or attach labeled diagram of blowout preventer equipment. Indicate if air drilled or describe mud program.

BOARD USE ONLY

Approved (date)_____

By_____

Title_____

THIS PERMIT IS SUBJECT TO THE CONDITIONS OF APPROVAL STATED ON THE BACK.

Permit Fee _____

Check Number _____

Permit Expires _____

Permit Number _____

API Number 25-_____-_____

The undersigned hereby certifies that the information contained on this application is true and correct:

Signed (Agent)_____

Title_____

Date_____

Samples Required: NONE ____ ALL ____ From _____ feet to _____ feet

Core chips to address below, full cores to USGS, Core Laboratory, Arvada, CO. Dry, washed cut delivered prepaid to:

Montana Board of Oil and Gas Conservation
2535 St. Johns Avenue
Billings, MT 59102

SUPPLEMENTAL INFORMATION

Note: Additional information or attachments may be required by Rule or by special request.

1 Attach a survey plat certified by a registered surveyor. The survey plat must show the location of the well with reference to the nearest lines of an established public survey.

2 Attach an 8½ x 11" photocopy of that portion of a topographic map showing the well location, the access route from county or other established roads, residences, and water wells within a ½ mile radius of the well.

3 Attach a sketch of the well site showing the dimensions and orientation of the site, the size and location of pits, topsoil stockpile, and the estimated cut /fill at the corners and centerstake. (Note: the diagram need not be done by an engineer or surveyor). Attach a sketch of a top view and two side views of the reserve pit(s), if utilized. The reserve pit sketch must show the length, width, depth, cut and fill, amount of freeboard, area of topsoil stockpile, and the height and width of berms.

4 Describe the type and amount of material or liner, if any, to be used to seal the reserve pit. If a synthetic liner is used, indicate the liner thickness (mils), bursting strength, tensile strength, tear strength, puncture resistance, hydrostatic resistance, or attach the manufacturer's specifications.

5 Describe the proposed plan for the treatment and/or the disposal of reserve pit fluids and solids after the well is drilled. If the operator intends to dispose of or treat the reserve pit contents off-site, specify the location and the method of waste treatment and disposal. (Note: The operator must comply with all applicable federal, state, county, and local laws and regulations with regard to the handling, transportation, treatment, and disposal of solid wastes.)

6 Does construction of the access road or location, or some other aspect of the drilling operation require additional federal, state, or local permits or authorizations? If yes, indicate the type of permit or authorization required:

- ☐ No additional permits needed
- ☐ Stream crossing permit (apply through county conservation district)
- ☐ Air quality permit (apply through Montana Department of Health and Environmental Sciences)
- ☐ Water discharge permit (apply through Montana Department of Health and Environmental Sciences)
- ☐ Water use permit (apply through Montana Department of Natural Resources and Conservation)
- ☐ Solid waste disposal permit (apply through Montana Department of Health and Environmental Sciences)
- ☐ State lands drilling authorization (apply through Montana Department of State Lands)
- ☐ Federal drilling permit (specify agency)
- ☐ Other federal, state, county, or local permit or authorization: (specify type)_____

NOTICES:

1 Date and time of spudding must be reported to the Board verbally or in writing within 72 hours after the commencement of drilling operations.

2 The operator must give notice of drilling operations to the surface owner as required by Section 82-10-503, MCA, before the commencement of any surface activity.

BOARD USE ONLY | CONDITIONS OF APPROVAL

The operator must comply with the following condition(s) of approval:

WARNING: Failure to comply with conditions of approval may void this permit.

Form 23
New 2-92

Submit in triplicate to:

ARM 36.22.1227

MONTANA BOARD OF OIL AND GAS CONSERVATION
Billings or Shelby Office

Application For Permit To Construct Or Operate An Earthen Pit Or Pond
(Production Facility Only)

New pit ☐ Existing pit ☐

Lease Name:

Operator

Lease Type (Private/State/Federal):

Address

Unit Name:

Field or Area:

City State Zip Code

County:

Telephone Number ( ) Telefax Number ( )

Location of pit -
¼ ¼ Section, Township, and Range:

Describe the purpose of the earthen pit or pond (if temporary, indicate anticipated time pit will be in use):

Number and type of wells using this pit: _____ Oil _____ Gas _____ Injection _____ Other (specify)

Average water inflow: _____ bbls./day Maximum pit volume: _____ bbls.

Describe type and origin of fluids, name and location of source wells, producing formations, and approximate fluid volume contributed by each well:

Provide a copy of full water analysis with application for new pits only. Board may require a water analysis for existing pits.

The water analysis must include the date and source of sample (treater, wellhead, pit, etc.), and the name, address, and telephone numbers of laboratories. Standard methods must be used for all collection and testing of samples.

BOARD USE ONLY

Approved (date)_____ Permit Expires _____

By_____

Title_____

CONDITIONS OF APPROVAL ON REVERSE.

Signed (Agent)_____

Typed name and Title_____

Date_____

SUPPLEMENTAL INFORMATION

Attach the following information to this permit application:

FOR NEW PITS: Attach diagrams of a top view and two side views of the pit or pond. The diagrams must show the length, width, depth, cut and fill, maximum fluid level, area of topsoil stockpile, and the height and width of berms. Identify the location of additional items such as fences, liners, monitoring wells, tanks, lines, siphons, or other equipment if used. Diagrams need not be prepared by an engineer or surveyor.

FOR EXISTING PITS: Attach color 3" x 5" (or larger) photographs of existing pit or pond. Indicate the date photographs were taken and name and address of the photographer. All photographs must accurately portray the size and condition of the earthen pit or pond at the time this application is submitted.

Describe the type and amount of material or liner used, if any, to seal the pit or pond. If a synthetic liner is used, indicate the liner thickness (mils), bursting strength, tensile strength, tear strength, puncture resistance, hydrostatic resistance, or attach the manufacturer's specification sheet to this application.

Describe the proposed method of treatment and/or disposal of the liquid and solid contents upon abandonment of the pit or pond:

NOTE: The Operator must comply with all applicable federal, state, county, and local laws and regulations concerning the handling, treatment, and disposal of wastes.

This pit or pond was previously permitted by _____(operator(s)) on the _____ day of _____, 19____. Attach a copy(ies) of the previous permit(s).

BOARD USE ONLY	CONDITIONS OF APPROVAL

The operator must comply with the following condition(s):

Failure to comply with conditions of approval may void this permit.

Form No. 600
Revised 11/73

APPLICATION NO. _____
(For Dept. Use Only)

STATE OF MONTANA

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

APPLICATION FOR BENEFICIAL WATER USE PERMIT

Note: Use one application for each source of supply or separate development. Check all appropriate boxes and fill in each blank line. If the question is not applicable in your case, enter NA (not applicable). If more space is necessary, attach additional sheets.

(Please type or print in ink)

1. Name of Applicant _____
   Mailing Address _____
   City or Town _____ State _____ Zip _____
   Home Phone _____ Other Phone _____

2. Source of water supply _____,
   a tributary of _____.
   (stream name; if well, so indicate)

3. (a) Point of diversion:
   ____¼ ____¼ ____¼ Section ____, Township ____N/S, Range ____E/W, _____ County

   Additional points of diversion, if any:
   ____¼ ____¼ ____¼ Section ____, Township ____N/S, Range ____E/W, _____ County
   ____¼ ____¼ ____¼ Section ____, Township ____N/S, Range ____E/W, _____ County

   (b) If water is not consumed, it will be discharged back into the same source:

   Yes ☐ ; No ☐ . If no, explain and give the complete land description at the point of discharge. _____
   _____
   ____¼ ____¼ ____¼ Section ____, Township ____N/S, Range ____E/W, _____ County

4. Description of water development:

   (a) Diverting works. Enclose all pertinent engineering data available. If not available, describe the horsepower rating of the pump and capacity in gallons per minute, size of ditches, flumes, dikes or other. _____
   _____
   _____

   (b) Reservoir (if applicable).
   1. Project will be an enlargement of an existing reservoir.
      Yes ☐ ; No ☐ . (If yes, complete both 3 and 4 below.)
   2. Project will be a new reservoir.
      Yes ☐ ; No ☐ . (If yes, enter NA in 3 below, and complete 4.)
   3. Capacity of existing (old) reservoir when constructed: _____ acre-feet.
   4. Capacity of new (proposed) reservoir: _____ acre-feet.

   (c) Well Depth: _____ feet (if applicable).
   (d) Project will be a developed spring: Yes ☐ ; No ☐.

artcraft printers

5. Proposed Construction:

(a) Desired starting date _____; anticipated completion date _____

(b) Estimated construction cost $ _____.

6. Amount of water, use to which it will be applied, and period of use:

Example:						
7.5 cfs / gpm	up to	5.25 (acre-feet)	for IRRIGATION (use)	from April 15 (month-day)	to October 15 (month-day)	inclusive.
_____ cfs / gpm (Amount)	up to	_____ (acre-feet)	for _____ (use)	from _____ (month-day)	to _____ (month-day)	, inclusive.
_____ cfs / gpm (Amount)	up to	_____ (acre-feet)	for _____ (use)	from _____ (month-day)	to _____ (month-day)	, inclusive.
_____ cfs / gpm (Amount)	up to	_____ (acre-feet)	for _____ (use)	from _____ (month-day)	to _____ (month-day)	, inclusive.

Total amount requested: _____ cfs / gpm up to _____ acre-feet per year.

7. Description of proposed beneficial water uses:

(a) Irrigation (if applicable).

1. Method of irrigation: Flood ☐; Sprinkler ☐. If Flood, explain: _____

2. Project will involve new irrigated land: Yes ☐; No ☐.

3. Project will involve supplemental water to existing irrigation: Yes ☐; No ☐.

4. Project will involve both new irrigated land and supplemental water to existing irrigation: Yes ☐; No ☐. If yes, the acreage must be entered on separate lines in the Table below, and identified on the map in Item 9, page 3.

5. Acreage by land description: (Enter the number of acres to be irrigated in the appropriate quarter-section.)

Example:								Check Appropriate Block	
Sec.	Twp.	Rge.	NE¼	NW¼	SW¼	SE¼	Totals	New	Supplemental
7	18N.	20E	35		140	118	293	✓	

								Check Appropriate Block	
Sec.	Twp.	Rge.	NE¼	NW¼	SW¼	SE¼	Totals	New	Supplemental

Total number of acres to be irrigated → ☐

(b) Non-irrigation use: (if applicable)

1. Place of use of the water will be the same as location given in Item 3(a), page 1.

Yes ☐; No ☐. If no, give the location: ____¼ ____¼ ____¼ Section _____,

Township ____ N/S, Range ____ E/W, _____ County.

2. Estimate the maximum number and type of livestock to be watered: _____

Are there other locations where the same livestock are watered? Yes ☐; No ☐.

3. Name of municipality to be served: _____

4. Number of families to be supplied: _____

5. If water will be used for other purposes, describe: _____

DEPARTMENT ENDORSEMENTS

(This section is not to be filled in by Applicant)

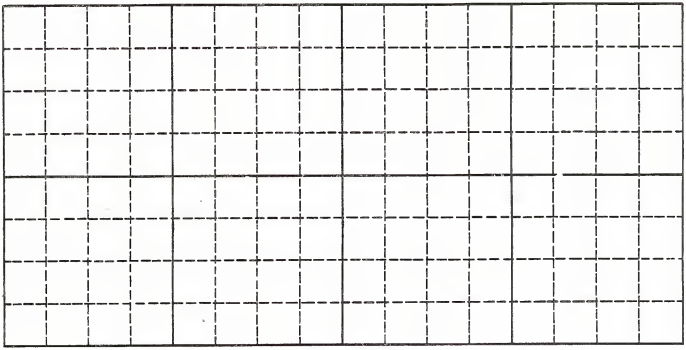
Check When Completed	ACTION TAKEN
1. _____	Received *by mail over counter* in Department's office by _____
2. _____	Date Received (priority) : Day _____ ; Month _____ ; Year _____ ; Time _____
3. _____	Recorded in; Book _____ ; Page _____ By _____
4. _____	Preliminary check by _____ ; Amt. of fee received $_____
	Transmittal No. _____ ; Remarks _____
5. _____	Application indexed by _____ ; Platted by _____
6. _____	Application examined by _____ ; Type of Permit _____
7. _____	Application returned for completion on _____ ; or corrected by office on _____
	Date to be returned by Applicant _____
8. _____	Corrected Application resubmitted to Department's office on _____
9. _____	Priority of Application *(see No. 2 above)* brought down to _____
	Reason: _____
10. _____	Application approved for advertisement by _____
11. _____	Notice of Publication prepared by _____ ; Proofed by _____
	Date _____
12. _____	Publication Proof Sheet proofed by _____ ; Date _____
13. _____	Publication dates: From _____ To _____
14. _____	Notice published in _____
15. _____	Notice to water users prepared by _____ ; Proofed by _____
	Date _____
16. _____	Date Notice mailed to water users _____ ; Public agency with reserved waters _____
	Others *(specify)* _____
17. _____	Protests filed by _____
18. _____	Date notice of hearing sent to Applicant _____ ; Objector(s) _____
19. _____	Hearing held by _____ ; Place _____
_____	Date _____
20. _____	Date *Statement of Opinion* and notice of possible hearing sent _____
	Sent by _____
21. _____	Application field checked by _____ ; Date _____
22. _____	Application recommended for (*approval or denial*) by _____
23. _____	Application microfilmed by _____ ; Date _____
	Roll No. _____ *(Microfilm after Item 22 only)*

REMARKS

(For Department Use Only)

8. Ownership:
   (a) Property owner at the point of diversion: _____
   (b) Property owner at the place of use: _____
   (c) If either (a) or (b) above are other than the applicant, describe the arrangement enabling the applicant to make this filing: _____

9. Map of proposed water development: Indicate clearly the point of diversion, place of use, and section, township, and range numbers. Show pertinent information concerning the development, such as dams, canals, ditches, pipelines, wells,etc. Use the largest, most convenient scale possible. If the map shown below is not adequate to describe your development, attach additional sheets.



10. Remarks: _____

11. THE APPLICANT CERTIFIES THAT THE STATEMENTS APPEARING HEREIN ARE TO THE BEST OF HIS KNOWLEDGE TRUE AND CORRECT.

_____ (Signature) _____ (Date)

_____ (Signature) _____ (Date)

_____ (Signature) _____ (Date)

Signature of applicant(s) must be exactly as in Item 1, page 1. If more than one applicant is shown, all must sign.